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IN THE SOUTH ATLANTIC,

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U.S. Maritime Interests in the South Atlantic

Co-Principal Investigators:	Robert L. Pfaltzgraff, Jr. Geoffrey Kemp
Senior Staff Contributor:	Walter Hahn
Project Coordinator:	Michael Moodie

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-- prepared by Michael Moodie and  
Victoria Van Dyke

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THE ECONOMIC AND POLITICAL ENVIRONMENT  
OF THE SOUTH ATLANTIC REGION

In political and economic terms, the South Atlantic region can be conceived as the composite of a body of water and three important sub-regions: eastern South America, southern Africa and western Africa. Although there is some interaction among these sub-regions, each has its own political and economic dynamics. In both eastern South America and southern Africa, a single country -- Brazil and South Africa respectively -- has become a key to that sub-region's political evolution. In western Africa, Nigeria may assume a similar role.

Any analysis of the South Atlantic as a region, therefore, must focus on the politics and economics of these three countries. Beyond them, however, other states on both sides of the ocean are likely to influence significantly developments in the region over the next two decades. The importance, extant or potential, of these countries derives from a number of factors, such as relative economic or technological strength, resources, strategic location, political dynamics. The countries that particularly bear watching in that regard include Argentina in South America, and Angola and Namibia in Africa.

In addition, changes in the international environment during the 1970s have combined with recent crises to lead governments elsewhere to reassess the importance of the South Atlantic region within their own policy domains. In

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<sup>1</sup>See Geoffrey Kemp, "The New Strategic Map," Survival, Vol. XIX, No. 2 (March/April 1977), pp. 50-56.

the perspectives of the United States and the Soviet Union, developments within the South Atlantic's South American and African littorals now have a closer linkage to developments in other areas such as the Persian Gulf and the North Atlantic, in which the superpowers have substantial interests. Both have taken a more active role in trying to direct the future course of events within the area, particularly within southern Africa. The South Atlantic has also been an arena of considerable political activity by governments other than the two superpowers -- Cuba, Britain, France and China, for example. The intrusion of external powers into South Atlantic affairs is, and will continue to be, a major factor of the area's evolution.

1. The South American Littoral

- a. Brazil

Brazil has made clear its intention to transform itself into a developed nation within a generation so that it may acquire a place as one of the world's major powers. According to Ronald Schneider, in Brazil there is a "widely held belief that the respect that Brazil can command on the world scene. . . depends in large part on its perception by the major powers as the dominant nation in South America."<sup>1</sup> Through economic and political means, it has set out to achieve that goal.

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<sup>1</sup> See Schneider, Appendix I-B, p. I-B-

In general terms, Brazil has five major concerns:

1) internal economic development; 2) internal cohesion and stability; 3) consolidation of a position of dominant influence in the South American sub-region and 4) definition of an international role; and 5) national security. These goals are closely interrelated. For purposes of this analysis, however, they are discussed here separately.

i. Economic development

The maintenance of a sound economy is the key to the achievement of all Brazil's internal and foreign policy goals. At the same time, however, economic imperatives constrain, sometimes seriously, the political and diplomatic influence Brazil can exert.

A major problem in the Brazilian economy is its seemingly chronic trade imbalance. Concern over this problem has been aggravated by three economic phenomena. First, the Brazilian model of economic development, emphasizing import substitution and export subsidization, has not relieved Brazilian dependence upon the industrialized world for manufactured imports. Success has been achieved in developing viable and saleable products, but not without government subsidy and protection. Nevertheless, import dependence has been shifted to a higher level of technologically sophisticated manufactured products that are required to sustain domestic industry. Since these higher levels of



technology necessary for continuity in Brazil's aspired development process (patterned after that of a technology-exporting country such as the United States) already exist in the industrially developed nations, where they have been tested and their research and development costs have already been absorbed, their import is both cheap and necessary. Given the lack of an R&D infrastructure in Brazil, the dependence on the import of advanced technology is likely to continue in the time frame of this study.

A second major problem related to Brazil's trade imbalance is the heavy reliance of Brazil's exports of food (primarily coffee) and indigenously produced manufactured goods on a few major markets, particularly the United States. Combined with the vulnerability of Brazilian export revenues to market forces, this heavy concentration of Brazilian export markets creates an unstable trade situation.

Finally, Brazil has felt the severe shocks of soaring international oil prices. Dependent upon petroleum to meet nearly half of its energy requirements, the Brazilian petroleum bill increased by 400 per cent in an eighteen month period following the October War of 1973, from \$800 million to \$3.2 billion -- an outlay that has created severe tensions in Brazil. In an effort to reduce this dependence on imports, Brasilia has more than tripled its expenditures on oil exploration

since 1973.<sup>1</sup> However, despite some strikes, it appears unlikely that the discoveries will do more than cover the growth in Brazil's oil consumption through the early 1980s.<sup>2</sup> Further aggravating Brazil's petroleum import dependence problem is the fact that one of the mainstays of Brazilian industrial growth has been the automobile industry. Hundreds of supplying firms that serve the auto market have appeared over the past two decades. In addition, Brazil's sizeable investment in transportation infrastructure has been premised on the continued growth and prosperity of the auto industry. Hence, Brazil finds itself in the position of having an economy that is locked into a productive structure whose viability has been placed in question by dramatic changes in the relative price of its basic input -- oil. Any new policy orientation that would emphasize alternative modes of transportation would hence threaten utilization

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<sup>1</sup>There have been reports that by 1985 Brazil will be producing 20 per cent of her motor fuel requirements as ethanol by fermentation from sugar cane and the root crop, manioc. Due to the plentiful and inexpensive agricultural labor available in Brazil, ethanol production would not be costly. In addition, the plan would provide about a million new jobs and divert a substantial amount of revenue from imports to stimulation of internal markets.

<sup>2</sup>Speaking at the fourth session of the Joint Brazilian-Mexican Commission, Lauro Escorel de Marais, the Brazilian ambassador to Mexico, indicated that Brazil will achieve oil self-sufficiency in another six years. This estimate, however, is exceptionally optimistic.

of both the vertical and horizontal industrial infrastructure that has been built around the automobile.

In response to what it perceived to be an increasingly desperate energy deficit, Brazil decided to move into nuclear energy development. To this end, it signed an agreement with the Federal Republic of Germany to obtain assistance in power plant construction, uranium mining and enrichment, fuel fabrication, and fuel reprocessing.<sup>1</sup>

Brazil's nuclear power program provides for the commissioning of the first nuclear power station in 1978. This station, a light water reactor with 636 megawatt capacity, is now being built by the U.S. firm Westinghouse. At the same location, Angra dos Reis, 180 kilometers south of Rio, the Deutsche Kraftwerkunion is building another two reactors each of 1,300 megawatts, which are to be ready by 1983 and 1984. In addition, another two nuclear power stations -- probably also in the industrial triangle between Sao Paulo, Rio, and Belo Horizonte -- are to be built by 1987.

Brazil's nuclear program for the next ten years is said to require about 7,500 tons of uranium, and some doubt exists

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<sup>1</sup>For background, see William W. Lawrance, "Nuclear Futures for Sale: To Brazil from West Germany, 1975," International Security, Vol. 1, No. 3 (Fall 1976), pp. 147-166.

whether there are sufficient uranium deposits in Brazil to supply the new facilities. Proven reserves now amount to 10,000 tons, with another 10,000 tons listed as probable. The German reactors will require about 3,500 tons of uranium a year, and unless large new deposits are discovered, Brazil's aspirations for a nuclear energy program, independent of foreign supplies, will be severely compromised. Searching for those new deposits, NUCLEBRAS spends about \$25 million each year on uranium prospecting in south and northeast Brazil. In order to implement its ambitious nuclear program Brazil will also need over 10,000 technicians, engineers and scientists. By 1986 about 4,500 nuclear experts with university qualifications and 5,500 technicians are to be trained.

The decision by Brazil to expand massively its nuclear potential has renewed fears in Buenos Aires and other Latin American capitals that Brazil may be aspiring to a nuclear weapons potential. This fear, along with other domestic considerations, has generated plans for expansion of the nuclear programs of both Argentina and Uruguay.

The U.S. efforts to bring about a cancellation of the West German-Brazilian nuclear deal introduced sharp strains into Brazilian-U.S. relations in 1977. Motivated by the fear of nuclear proliferation, the Carter Administration did not seem to give due consideration to Brazil's energy problems and Brasilia's intent to reduce the country's dependence on

external energy supplies. In the latter respect, the alternative proffered by the U.S. Government -- to encourage the creation of Brazilian power plants that would use a low-enriched uranium supplied by the United States (and not useable for military explosives) -- is not acceptable to Brazil.

The West German government has made it clear that, notwithstanding U.S. objections, it intends to honor at least the first, pilot phase of the agreement with Brazil. The problem for the United States is complicated by the fact that, even should it succeed in killing the broader West German-Brazilian arrangement, Brazil could pursue alternatives toward both nuclear energy and weapons production. It could look for other exporters of reprocessing technology -- e.g., South Africa or even the Soviet Union.

Alternatively, the Brazilian government could conceivably spend the money, time and effort to develop indigenous enrichment and reprocessing facilities and eventually gather enough material for a nuclear explosive. In the meantime, the angry reaction in Brazil to U.S. "interference" (which led in the first instance to the cancellation of the U.S.-Brazilian military assistance agreement) seems to have strengthened the determination in Brazil for nuclear independence and possibly for a nuclear military capability as well. The assumption appears to be widespread both in Brazil and among foreign observers that the Brazilian military establishment seeks nuclear capabilities, or at least the "threshold" option of achieving them quickly.



In addition to its nuclear program, Brazil is attempting to redress its energy problem through the development of hydroelectric power. The current Brazilian hydroelectric program is among the largest in the world, but convenient sources for new hydroelectric stations are being exhausted. The River Plate Basin, which contains 80 million people, one-third of South America's territory, 16,000 kilometers of navigable rivers and enormous mineral riches, has a hydroelectric potential of 60 million kw/hours. Paraguay will play a major role in the development of this potential, Although it depends on the ports of Brazil's rival, Argentina, to move 90 per cent of its exports, Asunción has given the key to the River Plate Basin to the Brazilians by agreeing to the construction of a \$7 billion hydroelectric complex called Itaipu on Paraguay's Parana River. Itaipu will produce energy that is 25 or 30 per cent cheaper than the cheapest energy presently available in Brazil. The dam also has major political ramifications since the country controlling the Paraná, which alone holds a 33 million kilowatt hydroelectric potential, is in a position to dominate the economy of the region via the generation of cheap energy. Argentina had also been negotiating a joint hydroelectric project on the Paraná River, and was outraged by Asunción's alleged "sell-out" to Brazil, claiming that the Itaipu project seriously jeopardized the feasibility of a proposed Argentine complex down river. However, Brazil refuses to consider the Argentine

complaints or to entertain negotiations on the issue.<sup>1</sup>

Brazil also has an advantageous price-and-supply agreement with Bolivia for the purchase of natural gas. Moreover, Bolivia's pro-Brazilian military regime has fallen in with Brazilian plans to block Argentine designs on Bolivia's rich iron deposits in the Mutun fields of eastern Bolivia. Although Brazil has more than enough iron ore, it has joined Bolivia in a venture to exploit the Mutun deposits, including a plant which will semi-process 500,000 tons per year for sale to Brazil.<sup>2</sup>

Brazil's aforementioned economic shortcomings, (including energy shortages, high-cost local production, balance of payments deficits, external debt, inflation), have not prevented the country from flexing its economic muscles, thereby enhancing its political influence within Latin America. In such neighboring countries as Bolivia and Paraguay,

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<sup>1</sup>Another problem aggravating Brazilian-Argentine relations emerged in Brazil's recently announced plans to construct a port capable of handling supertankers in Rio Grande do Sul Province in Brazil's south -- a move worrying Argentina, whose major port, Buenos Aires, cannot handle such large ships.

<sup>2</sup>Brazil is on the verge of the largest mining boom in Latin American history. As the country strives for self-sufficiency in key raw materials and for new sources of export revenue, iron ore, manganese, bauxite, columbium, mica, tantalum, cobalt and other minerals are being exploited in remote, previously inaccessible zones such as Trombetas. Manganese, used primarily as an alloying and desulfurizing agent, is essential to the manufacture of high-quality steel. Substitutes are costly and the United States, Western Europe and Japan maintain almost no domestic production, relying on imports primarily from Brazil, Gabon, Mexico, Zaire, and Ghana. The largest known reserves, however, are found in South Africa, the Soviet Union, China, and Australia.

Brazilian aid technicians are offering a wide variety of programs aimed at shoring up their economies, but also making them more dependent on Brazil. Some 80,000 Brazilian colonists are reported to have settled on Paraguayan lands, and in the region between the Iguazu Falls and the upper Paraná River the only language spoken is Portuguese, transactions are in Brazilian cruzeiros, and the law is Brazilian. Supposedly, the Paraguayan government has encouraged land sales to Brazil and has even resorted to the eviction of Paraguayan peasants. Twenty foreign companies, mostly Brazilian, now own 30 per cent of Paraguay's land, and a similar process is being repeated in northeastern Bolivia. Wealthy Brazilians are also buying up large tracts of Uruguayan cattle land in northern Uruguay.

To support these penetrations the government in Brasilia has initiated an ambitious program of infrastructure development. It hopes to connect Bolivia's eastern lowlands with the southern Brazilian port of Santos and to link Paraguay's capital, Asunción, with the new Brazilian port at Rio Grande. The Brazilians also have built highways joining southern Brazil and Uruguay's main routes, and Brazil aspires to penetrate Chile through a link-up with Bolivia's railroad system. Moreover, the Ecuadorian government has signed an agreement with Brazil to develop an inter-oceanic route connecting Brazil's Amazon port Manaus with the Ecuadorian port of San Lorenzo on the Pacific Ocean.

Another aspect of Brazil's economic development plan is the government's attempt to attract entrepreneurs away from the traditional industrial centers of São Paulo and Rio de Janeiro and into the Amazon through a program of generous fiscal incentives and logistical support. The frontier effort has been a difficult task, however, as Brazilian entrepreneurs generally prefer to remain in the older established cities where business opportunities are safer and more profitable. Much of the financial thrust in Amazon development has come instead from state enterprises and foreign multinational corporations. In addition, the mushrooming cost of petroleum has forced the government to leave large stretches of the Trans-Amazon highway unpaved and vulnerable to heavy rain. Rising development and transportation expenses have slowed some of the larger mining projects. Agrarian endeavors have also been frustrated as much of the Amazon soil has proved unfertile. Despite these difficulties, however, Brazilian efforts to develop the Amazon are proceeding apace. In April 1977 an Itamaraty (Foreign Ministry) spokesman confirmed that the government had been maintaining contacts with the governments of Colombia, Ecuador, Venezuela, Peru, Guyana, and Surinam for the purpose of signing a pact for political and economic integration of the Amazon Basin that these countries share with Brazil.

Two compelling economic tasks facing Brazilian policymakers during the timeframe of this study are to guarantee foreign sources of petroleum (while nuclear power comes onstream)

and to expand international export markets for Brazilian manufactured goods in order to reduce the heavy export dependence upon U.S. consumption.<sup>1</sup> Given these economic goals, there emerges a trade complementarity between Brazil and the less-developed oil-producing states. Relations between Brazil and Nigeria are steadily developing, for example, and there is potential for more extensive economic ties.<sup>2</sup> Trade between the two countries, while remaining small in absolute terms, increased fifty-seven times between 1972 and 1975; and based on trends established in the first six months of 1976, this year Brazilian exports to Nigeria may total \$100 million. Some Brazilian officials speculate that within the next five years Brazil will export more to Nigeria than to all South American countries combined. Following the failure of the National Bank of Brazil to promote an exchange relationship,

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<sup>1</sup>It may be noted here that Brazilian dependence upon the United States for more sophisticated manufactures to maintain indigenous industry will continue indefinitely into the future.

<sup>2</sup>Examples of increased exchanges may be cited from a wide range of activities: during 1976 there were five missions (two private, three public) from Nigeria to Brazil with 130 Nigerians visiting Brazil in an official capacity; Brazilians are participating in the development of various sectors of the Nigerian economy, especially the communications industry; a \$60,000,000 contract was signed for the construction of pre-fabricated homes in Nigeria; one Varig flight crosses the South Atlantic daily transporting beef from Brazil to Nigeria; and during the last nine months, the problem of transportation between Brazil and West Africa was alleviated through the creation of several new shipping lines.



Petrobras -- Brazil's national oil company -- created a special export branch (INTROBRAS) designed to coordinate Brazilian export production with Nigerian needs. The purpose of the plan is to reach out to the small Brazilian industrialist who is unfamiliar with the dynamics of the export business, and to match his production with Nigerian demands, thus circumventing the American multinationals.<sup>1</sup>

The Brazilian government-owned sugar industry is also investigating public and private investment opportunities in Nigeria. In addition, in an effort to help rectify its balance of payments deficit, the Brazilian government may pursue the idea of subsidizing its industrialists who invest in Nigeria by borrowing in the United States and on the Eurodollar market, thereby not incurring loss of foreign exchange from Brazil. At the very least, further investment by Brazil in Nigeria and even joint ventures with Nigerian concerns can be expected.

The question arises whether Brazil's development effort has been made at the expense of segments of the Brazilian population. Millions of Brazilians remain on the fringes of the new economic system and as much as one-third of the population seems to be functioning outside the country's economic life. Brazil is outselling

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<sup>1</sup>FBIS, "Exports to Nigeria," Sub Saharan Africa (Rio de Janeiro, O GLOBO in Portuguese, 23 March 1977, p. 29 PY). The Bergamo Industrial Company from Sao Paulo, for example, has signed an agreement to supply wooden doors and furniture to Nigeria for five years, with a minimum delivery valued at \$7 million yearly. First shipments of the manufactured good are to begin in the next few months over the Santos-Lagos route.

Argentina in agricultural products and is exporting more soybeans than every other country in the world except the United States, but Brazilians in the south are forced to form "bean lines." Brazil's economic drive is likely to produce highly explosive social problems. An exacerbating factor is the marked disparity in wealth that is developing between north and south as the population migrates to growing urban centers in southern areas.

The social implications of Brazil's determination to modernize economically first through stabilization and then through an export-oriented growth program are seen in part in the concentration of income and the failure of redistribution. The heavy concentration of resource investment, for example, has gone into the development of such sectors of the economy as transportation, power, and communications. Capital formation to expand such social services as public health, sanitation, education, and housing, which have a more direct impact upon the poorer, less privileged groups of the society, has been seriously neglected.

A variety of explanations have been offered for the inequitable income distribution that has accompanied economic development in Brazil: high growth rates caused a demand for skilled manpower and resulted in an immense rise in their relative income; over time, Brazilian industries have become increasingly capital-intensive, resulting in further concentration

of income; tax incentives used to allocate resources inevitably favored the higher income groups.

The question that emerges is whether Brazil will face serious problems if it perpetuates a social structure in which two discrete socioeconomic groups continue to develop side-by-side (see Volume I, pp. 47-48 for discussion of possible social unrest). This dualism will become more difficult to remedy as time goes on. Critics of the Brazilian development model, for example, argue that the productive structure that has evolved over the past mirrors the demand profile of the population which, in turn, is influenced by the distribution of income. As income became increasingly concentrated, demand rose for the products of the technologically advanced industries -- a demand which in turn has come to be reflected in Brazil's productive structure. To come full circle, then, the maintenance and continued dynamism of those technologically advanced industries has come to be dependent upon the continued concentration of income, exports, or government purchases. The multinationals and the developing sophistication of the credit system have contributed, as well, to the creation of demand for many consumer durables that would not normally be sought by segments of the population, given their income levels, and has hence brought about a "distortion" in the demand profile.

Brazil's economic difficulties have also generated problems for the government with the business community, which has heretofore staunchly supported the conservative regime. Support is waning noticeably as businessmen's frustration with economic problems and an increasingly constrictive bureaucracy intensify. The resignation of Brazil's Trade and Industry Minister, Severo Gomes, in March 1977 put a new strain on the already frayed relations. Gomes had become increasingly disenchanted with President Geisel's policies and took issue specifically with Brazil's growing foreign debt -- now \$28 billion -- and the country's 46 per cent inflation rate. His criticisms were supported by businessmen who had been clamoring for a slowing of the inflation rate and for more aid to domestic industry. Moreover, many in the business community applauded Gomes' call for greater political freedom than Brazil's military-dominated government has been prepared to concede thus far.

Mr. Calmon da Sa, who replaced Gomes, will likely lean toward promoting more foreign investment in Brazil, and he has already stated that he sees no need for government aid to the local business community. It is likely that a government plea will be made for greater austerity on the part of business in order to slow the inflation rate. It is this sort of government response that encourages many businessmen to call for an end to the military domination of politics and for a return to at least a

limited civilian government. In 1964 the Brazilian business community was squarely in favor of the military government that replaced the government of the late Joao Goulart. Whereas a return to such a system would clearly be unacceptable, the business community seems to want some change.

ii. Internal cohesion and stability

Brazil has based its drive to South American hegemony and, ultimately, major power status on rapid economic development. A prerequisite for such development, however, has been relative internal political instability. Since the coup d'etat in 1964, the Brazilian military regime has overseen an authoritarian political system that has left little room for challenges to that regime's political and economic policies. The Congress initiates little legislation and has no control over the national budget. Labor unions have neither the right to strike nor to demand collective bargaining. The President, chosen by ranking military leaders, has virtually absolute powers in a national emergency declared by military decree. This system created an environment of stability in pursuit of the regime's economic policies, but it obviously holds the seeds for widespread political unrest and potential civil strife, especially if the economy continues to falter.

Encouraged by a well-functioning economy in the early 1970s, the Brazilian military regime began to tolerate political liberalization.<sup>1</sup> President Ernesto Geisel, the fourth army

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<sup>1</sup>For background, see Pedreira "Decompression in Brazil?" Foreign Affairs, Volume 53, Number 3 (April 1975), pp. 498-513.



general to rule Brazil since 1964, talked not infrequently about restoring democracy to the country, although no timetable was ever established. With the aggravation of Brazil's economic problems in the wake of the October War in the Middle East in 1973, however, the Brazilian leadership deemed it impossible to address both economic ills and internal political problems simultaneously. Consequently, Brazil's movement toward "redemocratization" came to an abrupt halt.

A series of tough decrees issued on April 14, 1977, further tightened the military's grip on Brazil and ensured that opponents of the regime would have little chance of coming to power in the near future. The decrees were promulgated following the closure of the Brazilian Congress by President Geisel, who had been frustrated in his attempt to pass controversial judicial reforms.<sup>1</sup> In addition to altering the constitution so that the judicial changes could be made, the electoral system was modified to guarantee victory for the Government party -- the Alliance for National Renovation -- at next year's elections. Changes were also made in the selection process for the governors of Brazil's twenty-two states. Had these changes not been made, control of the major states would most likely have passed to the Brazilian Democratic Movement, the only legal opposition group.

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<sup>1</sup>It was the first time since 1968 that the military Government had closed the Congress. See the New York Times, April 2, 1977 and the Christian Science Monitor, April 18, 1977.

The decrees were widely interpreted as President Geisel's capitulation to military hard-liners opposed to liberalization. The attitudes of this group have been described by Ronald Schneider, who suggests three strands to their argument: 1) with Brazil increasingly required to provide for its own defense and security, this is not the time to weaken the regime by introducing political competition that could lead to immobility; 2) with the bloom off the economic miracle, the electoral advantage lies with the opposition; and 3) decompression unleashes distributive pressures that could undermine continued development and thus jeopardize Brazilian security.<sup>1</sup>

Arrayed against this group are the military moderates, who point out that the Brazilian economy has developed to such an extent that distributive measures could be desirable, "particularly to the degree that such measures might broaden the internal market."<sup>2</sup> They argue furthermore that greater liberalization would improve Brazil's international image and offset any political advantages enjoyed by the opposition. Moreover, the moderates contend that "democratization" could preempt any potential radical shift to the left, as happened in Portugal. This trend may have already started, however, in light of reports of a manifesto critical of the government and calling for a re-

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<sup>1</sup>Ronald Schneider, Brazil: Foreign Policy of a Future World Power (Boulder; Westview Press, 1976), pp. 175-176.

<sup>2</sup>Ibid., p. 176.

turn to democracy being circulated secretly by a group of more than 100 colonels.<sup>1</sup>

A third group of military officers is aligned with neither the moderates nor the hard-liners. This group will be the key to future political relaxation in Brazil, and it is likely to respond not on the basis of a consistent view of Brazil's future but to specific events and short-term changes.

While the military probably remains the key to Brazil's internal evolution, other segments of Brazilian society are complicating the equation. The restiveness in the business community already has been noted. Skilled workers, who are beginning to be laid off in large numbers as the industrial sector enters a recession, are becoming disaffected.<sup>2</sup> Students, too, are beginning to show hostility toward the government. Calling for the release of political prisoners, an end to repressive action and general amnesty for those arrested under emergency laws, students have recently staged demonstrations and organized mass meetings throughout Brazil.<sup>3</sup> In mid-May 1977

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<sup>1</sup>"Brazil Colonels Demand Democracy," The Times (London), May 26, 1977.

<sup>2</sup>The Times (London), May 26, 1977.

<sup>3</sup>Foreign Broadcast Information Service (FBIS), "Students Stage Protests Throughout Brazil," Latin America, May 12, 1977, p. D-2.

as many as 10,000 students gathered in Sao Paulo to protest the government's internal security practices.<sup>1</sup>

It is difficult to predict whether the incipient hostility toward the Brazilian government will swell into irresistible pressure for liberalization. Internal disorder is anathema to Brazil's present leadership, intent upon pressing ahead with economic development. Consequently, it will do what it deems necessary to maintain domestic order and stability.

iii. Consolidation of regional influence

Thus far Brazilia has not sought to dominate South America through a sweeping extension of its power. Rather, it has studiously avoided any tests of strength with the more substantial actors in the region, concentrating its influence instead on the smaller states along its own borders, particularly through economic penetration. This is especially true with respect to Brazil's southern neighbors -- Bolivia, Paraguay and Uruguay. In these states, Brazilian diplomacy has created what is sometimes called a "security perimeter" within which compatible governments rule and which are perceived by the Brazilians as buffers against the potential tide of extreme nationalism and radicalism.

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<sup>1</sup>FBIS, "Sao Paulo Police Disperse Demonstrators," Latin America, May 20, 1977, p. D-3.

The Brazilian penetration of its smaller southern neighbors, particularly through instruments of economic cooperation like the Itaipu dam project, has been alluded to in the previous section. Brazil's ambition seems to be to dominate the River Plate Basin as well as to establish an unprecedented Brazilian presence throughout the Amazon Basin. A dynamic Brazilian Amazon could exert a powerful pull on the trans-Andean areas of Venezuela, Colombia and Peru -- a matter of concern for these Andean nations which are themselves seeking more significant and independent roles. This latent issue could be quickly activated into the grist for regional rivalry.

The role that Brazil has defined for itself in the region, is not without its dangers. The major problem is Argentina, a frustrated rival whose precipitate action could disturb the emerging regional balance. (See Volume I, pp. 33-36). In more general terms, Brazil runs the risk of an Hispanic backlash to perceived Brazilian expansionism. Finally, the weakened economic performance of recent years has, to some degree, undercut the country's most potent instrument -- its economic credibility -- in its attempt to consolidate regional dominance.

#### iv. Enhanced international status

Three major points regarding Brazil's foreign policy thrust must be noted.<sup>1</sup> First, Brazilian aspirations for inter-

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<sup>1</sup>See Schneider Appendix IB, pp. I-B-14-18.



national power rarely play the determining role in foreign policy decisions; rather, those decisions are usually viewed in the context of their contribution to Brazil's internal economic development. While vehemently maintaining their autonomy, Brazilian policymakers do appear convinced that allying with the Third World on basic questions of international economics is the only way to exert leverage on the industrial powers. Furthermore, Third World countries constitute new markets and new economic opportunities for the Brazilian economy.

Second, there are limits to Brazil's identification with the Third World both because continued cooperation of the developed countries is essential for further Brazilian development and because it is in Brazil's interest to align with the industrial world on many political issues. Thus, Brazil finds itself in an intermediate status that requires a careful balancing act to prevent the country from becoming isolated.

Third, and perhaps most important within the South Atlantic context, Brazil's Third World orientation would place it squarely in black Africa's camp in a possible conflict with South Africa. The black African countries' friendship remains important to Brazil for their support in international economic forums, as intermediaries with the Arabs and as markets. The Brazilians are not prepared to jeopardize these relationships. For this reason, the Foreign Ministry firmly denied rumors of a possible

South Atlantic defense treaty in which Brazil and other South American states would be joined by South Africa.<sup>1</sup>

Despite the Third World emphasis in Brazilian policies, its relations with the United States remains its single most important, and increasingly most difficult, foreign policy concern outside South America. In addition to differences over the nuclear deal with the Federal Republic of Germany described earlier (See pp. 7-8), the question of human rights violations is also a source of friction between Brasilia and Washington. United States-Brazilian relations have deteriorated progressively over the last few years, not only over human rights and nuclear policies, but trade problems as well. The correct but cool reception Mrs. Carter received in Brazil in June 1977 reflected these differences.

#### v. National security

Finally, consideration must be given to Brazil's national security concerns. Those concerns are analyzed in greater detail in Appendix I-B. Hence, there is no need to repeat that analysis here. Some points, however, should be highlighted.

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<sup>1</sup>FBIS, "Official Sources Say No to South Atlantic Treaty," Latin America (Buenos Aires, Latin in Spanish, 7 January 1977), January 10, 1977, p. D-1

First, given the importance of internal stability, Brazil's primary security concern is internal. The country faces centrifugal forces that threaten to fragment its social structure, and the government is committed to ensuring that those forces are kept under control. The instruments of control are the familiar ones of selective controls on political activity, press censorship, the banning of demonstrations, etc.

Second, the fact that East-West competition has entered the South Atlantic region through Africa is disturbing to Brazilians. There has been speculation that countries such as Brazil (and Argentina) will take advantage of this situation and their strategic positions to flirt with some form of membership in NATO.<sup>1</sup> Even if Brasilia does not want to go this far, it does recognize the need for military cooperation with the West. Navy Minister Azevedo Henning, for example, has stated that Brazil cannot risk a direct confrontation with the Soviet Union in the South Atlantic. Therefore, he has suggested the task of countering Soviet influence in the South Atlantic must be undertaken by joint action among non-communist states.<sup>2</sup>

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<sup>1</sup>See, for example, Mariano Grondona, "South America Looks at Detente (Skeptically)," Foreign Policy, Number 26 (Spring 1977), p. 190.

<sup>2</sup>FBIS, "Brazilian, Bolivian Ministers Discuss South Atlantic Pact," Latin America (Sao Paulo O Estado de San Paulo in Portuguese, 8 December 1976), December 10, 1976, p. A-1.

Third, Brazil is increasingly concerned with maritime security. This is not surprising in light of the present and projected changes in the global maritime regime and maritime developments in the South Atlantic specifically.

Given her long coastline and the absence of a significant land-based threat to Brazilian territory, Brazil's attention has been oriented toward the sea, but recent and projected developments have heightened its awareness of maritime concerns.

The convergence of Brazilian economic imperatives, hegemonic aspirations and national security concerns is best represented in its drive to develop an indigenous arms industry and the burgeoning arms trade that is emerging between Brazil and states in the Middle East and Africa. In order to gain military self-sufficiency, enforce "domestic tranquility," promote industrial growth, develop a viable export sector, and gain political leverage over developments in Latin America and elsewhere, Brazil has launched an intensive campaign to build an indigenous arms industry. Aimed at maintaining an active export policy and to supplying the local market, IMBEL favors the installation of foreign factories in the country, demanding that they provide their market and transfer to Brazil the technology of the products manufactured there.

During 1977 Brazil will receive armaments from several European sources, including the Oerlikon anti-aircraft equipment manufactured in Switzerland, the French-German Roland missile, and the Italian-made Oto Melara, a highly sophisticated weapon that can be used by paratroopers. In the announcement of these most recent purchases, the army indicated that one of its priority objectives is to create national models of these foreign armaments (see Appendix I-B for a more complete description of Brazilian indigenous production capacity). Negotiations were also conducted in January 1977 to obtain French technology and equipment for the installation of an ammunition and small anti-tank rocket factory. There was even some discussion in the Brazilian press that France and Brazil might sign a military agreement. Those reports stressed that France wishes to enter into a partnership with Brazil in the manufacture of arms for the purpose of supplying Brazil's armed forces and for export to third nations.

The drive by Brazil to enhance its authority in Latin America (and to outmaneuver and possibly threaten Argentina) is reflected in reports in March 1977 that Brazil may soon sign a contract to supply arms to Chile (and other countries) including armored vehicles, planes, light armaments and coastal

vessels. Brazil has already sold Bandeirante planes and missiles to Chile. Along with the decision by an impartial legal panel that Chile should be awarded the three islands in the Beagle Channel, these arms assume significance as a potential threat to Argentina's maritime security (see Volume I, pp. 38-40).

Evidence of Brazil's intent to expand exports of weapons into Africa may be seen in the August 1976 appointment by Brazil's aircraft manufacturing complex, Embraer, of its first distributor for its products outside Brazil. The new distributor is the French-based Compagnie Generale d'Aeronautique, which has undertaken to manage sales in France, Switzerland, Italy, the Benelux countries, and most of Africa. Brazilian analysts view the cordiality of their ties with black Africa as a link to good relations with the oil-producing Arab nations, and hence a critical factor in securing petroleum supplies.

The motive of insuring oil supplies is even more patent in the recent sale by the Brazilian company Engesa of 400 armored cars to Libya. Under terms of the agreement, part of Libya's payment will be in oil. Braspetro, the foreign oil exploration subsidiary of Brazil's state oil firm, Petrobras, already is drilling at a concession in Libya. In addition, Brazil and Libya are studying the possibility of constructing a sugar refinery in the North African country to process Brazilian sugar. The growing economic bond between a conservative country such as Brazil and the radical government of Colonel Quadafi may seem surprising, but it is consistent with Brazil's announced foreign



policy of "responsible pragmatism" and its economic imperatives.<sup>1</sup>

This was not the first Middle East sale for Engesa -- it sold twenty of its vehicles to Qatar in 1976 -- but the Libyan deal marks the first major purchase. Other and larger sales may be pending. Abu Dhabi, for example, reportedly wants 200 of the vehicles, and Turkey is said to be considering 700. There are also reports that Iraq has expressed an interest in the cars. It is interesting to note that Carmon da Sa, Brazil's new Minister of Trade and Industry, is a member of Engesa's Board of Directors. It is also interesting that the Brazilian government has tended to overlook Engesa's practice of not hiring Brazilian Jews to avoid offending its Middle East clients.

Israeli military experts have stated that if sales are confirmed, Brazil will de facto enter the arms race in the Middle East and "may even exert influence on the armament balance of the region." If a conflict began, the arms would likely be channeled through Quadafi to the armies of the so-called Arab confrontation states -- Egypt, Syria, and Jordan -- as in the past, when French, British, Soviet, and U.S. weapons were sold to Arab countries who were not directly fighting with Israel, but who represented a large reservoir of weapons for the confrontation states.

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<sup>1</sup>Brazil was among the first countries, for example, to recognize the Moscow-backed MPLA in Angola, despite the staunch anti-communist posture on the part of Brazilian generals. The action can be construed as an indication of Brazil's determination to play a role in Africa and also to possibly ensure some Angolan oil to relieve its own shortage.

b. Argentina

Although it lags well behind Brazil, Argentina will continue to be a significant actor in the South Atlantic environment for a number of reasons, not the least among them its economic potential which, as a result of debilitating domestic politics, remains largely unexploited. An analysis of UN Trade statistics indicates that Argentina's trade flows are on a significantly smaller scale than those of either Brazil or Venezuela, but that in 1974 the country had the most balanced composition and level of trade of the LASA nations.<sup>1</sup> Its imports cost \$3.635 billion or 16.8 per cent of total LASA imports, and exports amounted to \$3.931 billion or 17.3 per cent of the LASA total, yielding a net balance of trade surplus of \$296 million.<sup>2</sup> Argentina imports principally manufactured goods and exports food products, mainly cereals and meat. Argentina's principal trading partners include the United States (which is not dominant, as is the case with both Brazil and Venezuela), Japan, the Federal Republic of Germany, Italy, Britain, and the Netherlands.

Argentina is able to provide for its domestic food needs from domestic production (unlike Brazil or Venezuela). In terms of agricultural development, Argentina is in a much more favorable position than are many other South Atlantic nations. On a scale of productivity per worker (in comparison agricultural pro-

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<sup>1</sup>LASA = Latin American South Atlantic countries, Venezuela to Argentina.

<sup>2</sup>For details on the composition of Argentine trade see West, Appendix I-A, Tables 13 and 14.

ductivity is in the United States measured about one hundred) for the period 1968-1972, productivity in Argentina was 86.9, whereas in Brazil it was only 12.9. The level of production in the agricultural sector also allows Argentina to be a substantial net food exporter.

The very large domestic markets that existed in both Brazil and Argentina for manufactured goods led to the development of a policy orientation in the 1950s that favored growth in the manufacturing sector. Nearly three-quarters of all manufacturing activity in the South Atlantic is now located in these two countries. As outlined earlier, however, there are a number of factors that will inhibit further development of Argentina's manufacturing sector. This is a particularly thorny prospect, however, since in order to promote growth in the domestic economy and to assure continued industrialization -- both of great significance to Argentinians in their competition with Brazil -- Argentina needs significant exportable products. Whereas some of the African South Atlantic states<sup>1</sup>, and Brazil to some degree, can exploit and export non-fuel mineral resources to the industrial world, Argentina is relatively poorly endowed and hence cannot rely on mineral exports to support planned rates of industrialization.

Argentina is, however, in a very advantageous position, especially in comparison with Brazil, in energy supply sources.

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<sup>1</sup>AFSA = African South Atlantic countries, Senegal to South Africa.

The Videla government has set a target of oil self-sufficiency by 1980 and the realization of an export surplus from off-shore production by 1985. The virtual monopoly of YPF -- Argentina's state-owned oil company -- is coming to an end, with foreign and Argentinian private operations now allowed to participate in exploration and development of new reserves in selected areas, as well as in secondary recovery in established fields. The private sector (which has kept some refining interests all along) may soon regain a position in product marketing after three years of nationalization.

The manager of the state enterprise has stated that the cost of Argentine petroleum is about one-fifth of that of imported oil. Engineer Mateo Osvaldo Juan, exploitation manager of YPF, has stated that in about three years Argentina can achieve self-sufficiency, if the explorations which are being made are continued actively. The state enterprise expects to drill 163 exploration wells in 1977, in comparison with 1976, when only eight wells were drilled.<sup>1</sup>

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<sup>1</sup>The best oil production prospects in the country are to be found in Malargue Department, south of Mendoza, where daily production now surpasses 2,000 cubic meters and has led to the revival of this area of the province. Deposits found in the Tierra del Fuego area have been predominantly gas, but oil production is now 3,500 cubic meters a day. More than 1 million cubic meters of gas are burned off per day and 2 million cubic meters are reinjected daily. With proper facilities more of this gas could be made available for Argentine consumption or for exportation. The gas pipeline through the Magellan Strait will be completed by May 1978, requiring a supply of 3 million cubic meters a day in 1979. This will allow a decrease in hydrocarbon imports and also facilitate production. Exploration in territorial waters north of the island (Isla Grande de Tierra del fuego) and on the mainland are also included in this project.

Argentina is also the recognized Latin American leader in nuclear technology, with one 300 megawatt nuclear power station in operation and a 600 megawatt station under construction. Since the 1950s, Argentina's Atomic Energy Commission has trained several hundred nuclear scientists and engineers. They form the most advanced such group in the region, despite its depletion through political purges in some cases and migration to Brazil, Iran, and other developing countries.

Argentina built its first power plant with West German design and direction, and is building its second heavy-water power reactor with Canadian technology. The next major advance authorized by the military government is the construction of a heavy water pilot plant, to be followed by a commercial facility. Kraftwerk Union AG (West Germany's largest nuclear power plant construction firm) agreed in March 1977 to take part in building Argentina's third nuclear power station (including reactor and steam production systems). Similar to Argentina's other nuclear power stations, it will be a heavy water plant and is expected to have a capacity of 600 megawatts.

Argentina is relatively free of international pressure with regard to the supply of nuclear fuels. This is due principally to three conditions. First, current Argentine facilities and those planned for the future will all use natural uranium. Second, current estimates of uranium reserves found in Argentina exceed the needs foreseen for the

useful life of reactors. Finally, the Argentine program of self-supply is so advanced as to be already considered beyond the point of return. There is, however, a short-term vulnerability in that fuel elements currently burned in the Atucha nuclear plant are processed abroad. During the 1968-1976 period, ore production decreased so much that Argentina was obliged to request natural uranium "on loan," which it must now repay.

Production in deposits exploited by the National Atomic Energy Commission returned to normal between March and December 1976, a year which ended with record production volume, greatly surpassing previous forecasts. The three key stages of the productive cycle are already at advanced levels of development, and under normal conditions Argentina will reach complete self-sufficiency by 1979. Unlike enriched uranium, natural uranium does not require extensive investment or technologically complex processing to transform the mineral into fuel.

Argentina's atomic diplomacy has emphasized regional cooperation. Buenos Aires has offered Brazil and other Latin American countries an exchange program for nuclear research and development that would strengthen not only research efforts, but form a regional front for independent nuclear development. In March it extended its atomic nuclear diplomacy in South America by signing an agreement to build a research nuclear reactor in Peru using Argentine technology and equipment. The



agreement to build Peru's first experimental reactor involves not only design and equipment for a 10-megawatt unit, capable of producing radio-isotopes for medical and industrial uses, but training of Peruvian scientists in all peaceful uses of nuclear technology. The project is reportedly budgeted at \$50 million.

The interest of Argentina in the South Atlantic region extends well beyond this nuclear diplomacy and economic activity. Buenos Aires is also increasingly devoting attention to maritime affairs, as was recently indicated in a speech delivered by Navy Commander Emilio Eduardo Massera:

We Argentines for a long time ignored the fact that we were born under the sign of a maritime destiny, imposed by nature due to our extensive coastline. It has taken us years to recover from this maritime and river amnesia, from this mutilating disregard for our geography, and only now is the country beginning to become aware that Argentina is a land sustained by both land and sea.<sup>1</sup>

Massera also noted that in 1976 the Maritime Interests Secretariat was created as the policy organ through which both naval and commercial uses of the Argentine sea would be determined.

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<sup>1</sup>FBIS, "Massera Notes New Awareness of Maritime Potential," Latin America (Buenos Aires, Telam in Spanish, 10 May 1977), May 12, 1977, p. B-1.

Argentina's growing maritime orientation is reflected in plans to replace units in the merchant marine and to create a large fleet composed of state enterprises and private shipowners supported principally by Argentine capital. With a modern and well-equipped fleet, Argentina could participate significantly in cargo handling, providing efficient and profitable service. Beyond a commercial role, Buenos Aires recognizes the role of a merchant fleet in furthering its foreign policy by spreading the Argentine international presence through the opening of commercial routes.

Another issue of interest to Argentine commercial and defense planners is the system of navigable riverways (the Paraná and Uruguay rivers) that are "living roads which, through our fresh water sea, connect the Atlantic with the green heart of the South American continent."<sup>1</sup> It will be the responsibility of the navy to promote the use of the River Plate Basin so that this network provides maximum benefits through cargo movement, the use of its natural resources, and energy production. Hence, navigational security will receive increasing attention in Argentina. The possibility of building a deep-water complex is also being promoted by the navy.

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<sup>1</sup>Ibid.

This maritime emphasis has important political implications for Argentina. It has already been partially responsible for involving Buenos Aires in international political disputes, particularly with Chile regarding the Beagle Channel and with Britain over the status of the Falkland/Malvinas Islands. (See Volume I, pp. 38-40, 43-47).

The Beagle Channel and Falkland/Malvinas disputes demonstrate that Argentina is a party to many of the outstanding disagreements within the South Atlantic's South American littoral. To this list can be added Argentina's differences with Brazil over the Itaipu dam project, the general question of exploitation and navigation of rivers and Brazil's development of the port at Rio Grande. All of these disagreements must be placed against the background of Argentine frustration with both the loss of prestige it has suffered in recent years in the wake of its chaotic internal situation and the major strides made by its traditional rival, Brazil. This is not to project that Argentina will precipitate armed conflict over any of these issues. It is likely, however, that Argentina will demand a prominent role in their resolution.

Argentina's potential acquisition of nuclear weapons also makes it a focus of international attention. (See Volume I, pp. 34-35). Argentina has voiced strong support for the Brazilian-

West German nuclear deal in the face of U.S. pressure. Such support may be interpreted as an Argentine attempt to prevent the setting of a precedent that could have unfavorable implications for its own nuclear program. It may also be a means of preempting future Brazilian cooperation with alternative states like South Africa, who could be potential partners for Argentina.

Finally, while the possibility of a resurgent Argentina cannot be discounted, the problems facing any government in Buenos Aires are enormous. The first task is the rejuvenation of the nation's ailing economy. Under the guidance of José Martínez de Hoz, the Minister of the Economy, the Videla regime has developed a gradualist policy calling for economic austerity in order to reverse trends in income distribution, largely induced by inflation, that are threatening to impoverish Argentina's middle class.<sup>1</sup> In general the government holds the view that the economy must be redirected from its consumer orientation to emphasis on productivity, particularly in those sectors of the economy directed at exports.

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<sup>1</sup>Among the measures suggested by de Hoy are streamlining the bureaucracy, eliminating government subsidies to provincial governments, financing public works from abroad if possible to reduce their contribution to inflation, reducing spending and raising taxes, returning non-strategic enterprises to the private sector, encouraging private business through reform of the tax structure and stimulating investment. David Jordan, "U.S. Foreign Policy and a Military Regime in Argentina." Unpublished paper.

The gradualist program for reform has been criticized, and arguments have been offered that what is necessary is a form of "shock treatment" that will cause severe problems in the short run but set the country on the road to long term economic growth. The point has also been made that the gradualist approach will not sufficiently educate the population to the hardships it must endure if the economy is to recover. From this perspective measures such as increasing the working day and reforming the tax structure will encounter serious opposition before they can achieve their objectives. This argument was recently borne out, in isolated fashion at least, when the powerful electricity union simply refused to comply with a government order extending weekly work time from thirty-five to forty-two hours.<sup>1</sup> Resistance from the unions is also jeopardizing the budget goals set by the Videla regime.

Argentina's unions constitute a more general source of serious problems for the present Argentine regime. They remain -- through the centralized union organization -- the locus of Peronist power within the country. The close relationship that has existed in the past between unions and the machinery of government represented one of the pillars of Peronism. Wages

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<sup>1</sup>Robert F. Lamberg, "Notes from the Argentine," Swiss Review of World Affairs (April 1977). p. 31.

were fixed by government decree and, thus, the central trade union organization became essentially a state within the state. If the relationship between the government and the unions is not severed, another Peronist-type regime could emerge. This possibility is enhanced by the traditional relationship between the left wing of the Peronist unions and Argentina's urban guerrillas.<sup>1</sup>

The role of the unions in Argentina's future political evolution depends, to a large degree, on the resolution of the differences within the military government on their status. A faction of "hawks", particularly in the navy, is well known to be hostile to the unions, while more moderate "doves", including Videla, have urged a more cautious response to avoid confrontation. The fact that recently announced junta-approved guidelines for a new law regarding the unions totally prohibits union participation in political activities might indicate that the "hawks" presently have the stronger hand.<sup>2</sup>

Despite current restrictions on its activity, Argentina's civilian political leadership could also play a major role in

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<sup>1</sup>Ernst Halperin, Terrorism in Latin America (Beverly Hills: Sage Publications, Washington Paper Number 33, 1976), p. 46.

<sup>2</sup>FBIS, "La Nacion Publishes Junta-Approved Union Guidelines," Latin America (Buenos Aires, La Nacion in Spanish, 3 June 1977), June 15, 1977, p. 3-5.



the country's political evolution. There have recently been appeals from various groups and individuals within this sector of Argentine society for a return to constitutionality, and they apparently have met with some success.<sup>1</sup> President Videla has hinted at the need for Argentina to return to democracy, and has indicated his willingness to enter into a political dialogue with civilian leaders to define the future political structure. According to reports, Videla has proposed a plan which provides for both civilian and military participation in a government as a transitional means for moving to a democratic system.<sup>2</sup>

While prospects for a civilian-military dialogue are improving, the ultimate success of Argentina's political system -- whether led by the military or civilians -- will depend on the ability of both left and right in the political spectrum to contain the violence that has fragmented Argentine society. The Videla regime has been utterly ruthless in its efforts to eradicate left-wing terrorism, with the result that the Trotskyite Revolutionary People's Army (ERP -- Ejercito Revolucionario del Pueblo), one of the two primary leftist guerrilla groups -- has been almost

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<sup>1</sup>Among those making the appeals has been former President Arturo Frondizi, who, when he withdrew the support of his movement for Integration and Development from the government of Isabel Peron, was instrumental in toppling that regime. Others include Oscar Alende's Radicals and the leaders of the Christian People's Party.

<sup>2</sup>Lamberg, "Notes from the Argentine."

totally destroyed. The Peronist Montoneros, however, are still active, and acts of left-wing terrorism continue almost daily. There are also reports that the Maoist FAL (Armed Liberation Forces) has re-emerged.<sup>1</sup> Recently in Rome, Mario Firmenich, leader of the radical Montoneros, was joined by a number of ex-Peronists in announcing the formation of a "new" guerrilla movement, and presenting five demands to the government, including the removal of Martinez de Hoz, the release of political prisoners and the rescinding of the ban on political activity.<sup>2</sup>

Although the Videla regime has reduced the level of leftist violence, it should be noted that the left's continuing political appeals could find a response in the young and politically concerned generation. By the end of the decade, the new university generation could embrace in Peronism a political legend that contrasts sharply with the reality of the military regime. It is in this group that the leftist terrorists are likely to find more recruits.

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<sup>1</sup>David Jordan, "U.S. Foreign Policy and a Military Regime in Argentina," p. 19.

<sup>2</sup>Those joining Firmenich were former Peronist youth boss Rodolfo Galimberti, former Buenos Aires province governor Oscar Bidegan, and Ricardo Obregon Cano. See FBIS, "War Against Terrorism Enters New Phase," Latin America (Buenos Aires Herald in English, 24 April 1977), April 26, 1977, pp. B-4-6.

Leftist violence in Argentina has stimulated a violent reaction. The principal rightist terrorist organization is the Anti-Communist Alliance which was allegedly established by Isabel Peron's close advisor, Lopez Rega, and adheres to a Hitlerist ideology, including intense anti-Semitism.<sup>1</sup> The military regime in Buenos Aires has been much less successful in controlling violence by the right than the left. A number of explanations have been offered, including the difficulty of combatting the rightist organizations structured in cells, or the implicit support that their activities have been given by some members of the military and the police. Rightist violence reflects an attitude prevalent in some portions of Argentina's population -- including a segment of the military -- that the country requires a more authoritarian system not only to fight "Marxist subversion" but also to deal with the problem of corruption.

Therefore, the present regime in Argentina is faced with a difficult dilemma. On one hand, it appears willing, and probably finds it necessary, to respond to the demands for a return to constitutional democracy. On the other hand, it must demonstrate that with the return to civilian government Argentina will not, as during the Peronist period, degenerate into terrorism, economic corruption and chaos.

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<sup>1</sup>See Albert Parry, Terrorism: From Robespierre to Arafat, (New York: The Vanguard Press, 1976), pp. 270-272.

## 2. The African Littoral

The South Atlantic's African littoral is dominated by two countries, Nigeria and South Africa. Nigeria is the major economic and potential military power in West Africa. South Africa's importance derives not only from its economic and military strength, but also its strategic position and role in the South Atlantic's most likely area of armed conflict. This analysis of the African dimension of the South Atlantic environment, therefore, will concentrate on these two states. It will also identify briefly other African states that will or could play important roles in the evolution of the African sub-region.

### a. South Africa

Although the sub-regional environments in which Brazil and South Africa must function differ drastically, South African concerns can be broken down into categories similar to those applied to Brazil.

#### i. Economic Development

In the coming decade, South Africa will try to enhance growth in all sectors of its economy, but will face many constraints and obstacles that may retard development and thus exacerbate domestic difficulties. The Republic's agricultural sector will confront the task of meeting the

nutritional requirements of an ever-expanding population with rising dietary standards and tastes. Relatively poor agricultural conditions prevail throughout South Africa, requiring that the Republic compensate by developing advanced agricultural techniques in order to maximize the productivity of arable land. In order to maintain the growth in this sector necessary to meet the food demands of an expanding population and an accompanying elevation in taste and preferences, the government must continue to channel funds into scientific development, irrigation, mechanization, etc.

The South African government is concentrating on exploiting its vast metal and other mineral endowments in order to stimulate economic growth. While vast reserves of virtually every important mineral commodity other than petroleum exist in South Africa, there are significant obstacles to their expanded and intensified exploitation. The energy requirements of mineral production are demanding: the sharp rise in the cost of imported energy and South Africa's paucity of oil combine to create a burdensome problem. There has also been a rapid rise in capital costs of mineral projects worldwide, an increase that has occurred at a much faster rate than that of prices in general and certainly faster than the rise in prices of most metals and minerals. Whereas this does not place South Africa at a disadvantage vis-a-vis other mineral-exporting nations, Pretoria could find itself in an unfavorable competitive position vis-a-vis the producers of non-mineral substitutes.

The costs of mining infrastructure have risen in much the same way as other capital costs. The burden of instituting infrastructure has created a bias toward expansion of existing capacity in preference to new exploitation. New ventures in mineral production within the Republic will likely take place in isolated areas, requiring extensive capital as well as substantial social and logistic infrastructure. Loans from foreign sources to finance such expenditures will become more difficult because of the excessive over-borrowing that has taken place in the recent past. Moreover, labor will have to be imported into these remote areas -- a problem that is likely to be exacerbated by the black trade unions that are on the rise both in membership and politicization. Scarcity of water represents another problem in the new areas of exploitation.

South Africa faces a dilemma: When it critically needs to invest in internal development, it finds itself losing foreign participation in the economy as well as facing the perceived need to devote ever-increasing funds to military and internal security requirements. Perceptions of growing socio-political instability in South Africa threaten the influx of outside capital upon which the Republic vitally depends. The country's advanced state of economic development makes South Africa dependent upon trade relations with the industrialized nations.



The results that South Africa has achieved in agricultural production are impressive when one considers that, compared with other countries, the Republic is relatively poor in natural agro-biological endowments. The gross value of South African agricultural production doubled in ten years, reaching 2,600 million Rand in 1975 (10 per cent of GNP) and at the same time, the value of agricultural exports (maize and wool primarily) increased from 400 million to over 1,000 million Rand for the same period.<sup>1</sup> Conservative estimates indicate that agricultural products account for some 30 per cent of all South African exports (excluding gold). This rapid growth in the agricultural sector has been primarily a function of scientific and technological research.

With few exceptions, South Africa today is largely self-sufficient in providing the nutritional needs of its population. Moreover, in many cases, agricultural products from the Republic, as well as technical know-how, have played a significant role in redressing malnutrition and famine in neighboring southern African nations. The question is,

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<sup>1</sup>J. G. Boyazoglu and B. Piek, Rural Productivity and International Exchanges, paper presented at Symposium on South Africa's Natural Resources, Hamburg, Germany, p. 6.

however, whether South Africa will continue to meet the nutritional requirements of a rising population with a mounting standard of living.

Certain products such as rice, tea, coffee, cocoa and wood and their by-products -- for which the international market price has more than doubled since 1975 -- will never reach production levels within South Africa sufficient to meet domestic demand. Nor will the Republic be able to produce indigenously enough beef, mutton, lamb, cheese and certain dairy products to satisfy domestic needs. However, it will be able to continue to export maize and its by-products (30 per cent currently exported), groundnuts and by-products (80 per cent exported), sugar (42 per cent exported), deciduous fruit (38 per cent exported), citrus and subtropical fruit (45 per cent exported), eggs (7 per cent<sup>1</sup> exported).

It has been predicted by several sources, however, that if present productivity and consumption trends do not change for the better, South Africa will, by 1985 to 1990, experience a major shortage of wheat, meat, and even maize and groundnuts, a shortage which South Africa will have some difficulty reversing, even in the case of the most optimistic productivity hypotheses. At present about 90 per cent of the total arable land in South Africa is already being exploited.<sup>2</sup>

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<sup>1</sup>Ibid., p. 8.

<sup>2</sup>Ibid.

While South African agriculture has overcome a lack of resource endowments, the country has faced no such problem in its mineral and mining industries. It is indeed difficult to find a serious gap in the Republic's roster of known metals, minerals, and fuels other than petroleum, the only industrially critical commodity that has defied all exploratory efforts thus far. South Africa boasts abundant supplies of antimony, coal, copper, fluorspar, gold, iron ore, manganese, nickel, phosphate, platinum, uranium, vanadium, and zinc. There are other commodities to which no practical ore reserve limit has been attached; asbestos, chromite, diamonds, gypsum, and limestone are simply classed by geologists and engineers as "practically unlimited" or "large". Assisted by world wide price rises and well-timed developments on the South African scene, income from mining in 1975 increased, in nominal terms, by 8 per cent above that of 1974 (\$4.54 billion) while the country's GDP overall rose by 15 per cent. The volume of mining output in 1975 increased by 8 per cent above 1974 production. Local sales quantities and values rose by 6 per cent and 3 per cent respectively, while exports displayed more significant gains, 14 per cent in quantity and 33 per cent in values. Imports of ores, concentrates, and metals during 1975 were held to a moderate 3 per cent rise in

overall quantity and registered 23 per cent value (cost) decline.<sup>1</sup>

Commodity reviews conducted by the U.S. State Department indicate that through 1979 and beyond the Republic will be more than able to meet its projected local demand for mineral products, with exportable surpluses increasing in the aforementioned substances. They project that gold, silver, diamonds, uranium, platinum, group metals, tin, vanadium, phosphate, and limestone may also be expected to hold firm. Exploration and development in each of these materials have been accelerated above previously stepped-up levels.

The importance of South Africa's mining industry derives not only from its diversity. Several other factors also contribute to its strong performance, including the full vertical facilities of a metallurgical industry installed in conjunction with mining, the scale of the mining operations with their associated low costs of operation, and the depth of geological information supporting the industry. If positive developments occur in these supportive aspects of the industry simultaneously with diversification, South Africa's mining industry will retain a high international standing.

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<sup>1</sup>Industrial Outlook Report: Minerals; South Africa -- 1975, Department of State, August 18, 1976, Reference No. CERP/B-429, see various tables.

The principal focus for new ventures in South Africa since 1974 has been on the Cape Province and reports of progress and new discoveries continued throughout 1975. New development projects initiated by South African companies and their foreign partners in 1975 alone added up to an impressive \$19.6 billion, projected over a 10 year period (not including the costs of on-going or planned exploration programs, or expansion of existing mines and plants).

Mining in South Africa has come to assume a role in the economy of the Republic -- namely, to assist the government in reducing its dependence on gold and diamond earnings through mineral diversification. The new thrust is toward antimony, coal, copper, nickel, platinum, uranium, zinc, and the ferroalloys. Most of these projects are scheduled to be on line by 1980, and by the year 2000 South Africans expect the minerals sector to lead the further development of the country's economy.

International trade represents another important aspect of the South African economy. The United States has moved ahead of Great Britain as the largest exporter to South Africa. Official figures published in Pretoria show that U.S. exports to South Africa during the fiscal year 1976 totalled \$1,457 million, followed by West Germany with \$1,218 million and

Great Britain with \$1,185 million.<sup>1</sup> According to U.S. figures the United States maintained a favorable balance of trade with South Africa amounting to \$462 million a year. Whereas no estimate has been made of the number of jobs in the United States that hinge upon this trade, if a conservative estimate is made of one job for every \$20,000 worth of trade, then some 66,000 jobs depend directly on that trade -- more, of course, if one takes into consideration the multiplier effect. South Africa retains a clear preference for U.S., German, Japanese, British and French exchange. Nevertheless, it has not neglected trade with other regions although the level of trade between South Africa and those less industrial areas has been limited.

Though there have been increases recently in trade between the Republic and Latin America, for example, Chester Crocker notes that South African trade with South and Central America represents less than 1 per cent of total trade, 10 per cent of its African trade, and 5 per cent of its trade with Asian nations in 1975.<sup>2</sup> Brazil accounts for a large proportion of South African trade with Latin America. There are reports that during a recent trade summit between officials from Brazil and Nigeria, Brazil refused Nigerian

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<sup>1</sup>The purchase of a number of Boeing SP jumbo jets was the main reason for the US move to the top of the list. West Germany's exports to South Africa were swelled by the sale of the Airbus, which it produces jointly with France and Britain.

<sup>2</sup>See Appendix I-C, p. I-C-22.



requests for a cessation of Brazilian trade relations with the Republic. Brazil enjoys a favorable trade balance with South Africa, and in light of the Brazilian policy of "responsible pragmatism," it is unlikely that Brasilia would renounce ties with South Africa. However, it is evident that Brazil views itself as faced by a choice between black Africa and Pretoria, and the dilemma of choice is likely to sharpen in the future. Brazil will be hard-pressed, because of its compelling oil import dependence, to defy a combined force of black African nationalism and Arab political and economic pressure. Brazil also has historical and cultural ties with black Africa and must consider the implications of its policy toward South Africa for the large black population within its own borders.

In any case, a natural complementarity of production and imports does not exist between South Africa and Latin America (with a few exceptions), given their disparate levels of economic development and requirements, and the fact that traditional trading patterns are oriented elsewhere. Argentina is potentially one exception. Though Argentina could become an exporter of oil to South Africa, growing trade relations between Argentina and the Centrally Planned Economies of Eastern Europe and the Soviet Union would probably preclude such a development. South Africa is also likely to be looking to import

meat in the coming years as it experiences deficit in that commodity, and Argentina could easily respond to that need, perhaps in exchange for South African manufactured goods. One must also bear in mind Pretoria's potential as a co-producer of arms and as a nuclear supplier. The extent to which South Africa will be able to capitalize on this potential to gain its political or economic objectives, however, is clearly dependent upon the policies of the United States and the principal European weapons manufacturers regarding arms exports to Latin America.

Although Pretoria also maintains trading relations with nineteen black African states,<sup>1</sup> these are motivated more by political than economic considerations. Given the high cost of its manufactures, the weakness of most African economies, and the stiff competition from other exporters, the Republic clearly cannot look to trade with African countries to solve its economic problems. Similarly, South African aid efforts and investment in black Africa have necessarily been modest. In the future, South Africa will find it difficult to compete with Arab economic diplomacy, should the oil producers invest heavily in black African states or provide them with substantial amounts of economic assistance.

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<sup>1</sup>IMF data included in Crocker's paper indicates South African imports of \$344 million from the rest of Africa, and exports of \$587 million during 1975 -- 4.5% of total imports and 11% of total exports.

In the past, South Africa has represented an attractive investment milieu for the West. The South African attempt to attract Western economic activity, however, goes beyond economic requirements and has been part of a more encompassing scheme to involve the West more fully in South African affairs.

By actively promoting the development of its mineral resources and offering a highly favorable investment climate, it has achieved a high and growing level of Western engagement in the South African economy. Major Western firms are well represented in most sectors of the economy, apart from transport, utilities, heavy industry and armament production.<sup>1</sup>

To date, Britain leads the way among major investors with nearly two-thirds of total long term investment there, followed by the United States and other West European interests.

As a result of new direct investment, the reinvestment of profits and the nationalization of U.S. corporations elsewhere in Africa, U.S. direct investment in South Africa, as a proportion of investment in sub-Saharan Africa, grew dramatically in 1972-74, the last years for which figures are available. In 1972 that proportion was 38 per cent; by 1974 it was 56 per cent.<sup>2</sup> The repatriation of the profits of these enterprises has also been significant.

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<sup>1</sup>See Chester Crocker, Appendix I-C, p. I-C-5.

<sup>2</sup>Ibid., p. I-C-1.

Consequently U.S. direct investment in South Africa at the end of 1974 totalled \$1.46 billion.

Several points should be noted with regard to U.S. investment in South Africa. First, U.S. investment is not of great consequence for either the United States or South Africa. The U.S. \$1.5 billion represents only 1 per cent of total U.S. investments overseas and accounts for 14 per cent of total foreign investment in South Africa. Taken in the aggregate the loss for U.S. interests in the event of a change of regime, nationalization of industry or other developments in South Africa would therefore be considerable, but not overwhelming in terms of South Africa's place in total U.S. overseas investment.

As previously mentioned, South Africa has been able to offer high rates of return on capital investment, around 25 per cent compared to a 5 per cent return in the United States. Since the inception of the Union and Republic of South Africa, it has been the availability of cheap black labor that has allowed rapid industrial development (and high rates of return in foreign capital investments). At a minimum, blacks in South Africa will likely demand and receive higher and more equitable wages in the years to come. While foreign manufacturers operating in South Africa can respond to this situation

in a variety of ways (e.g., an attempt to transfer increased costs to the consumer) the favorable margin of return on investment that South Africa has heretofore enjoyed is likely to erode steadily.

Another critical factor in determining the attractiveness of an investment milieu, i.e. the potential risk for prospective investors, is internal stability -- economic, political and social. The harbingers in South Africa point to increasing civil tensions and violence. In the worst-case scenario, civil war would disrupt all industrial activity. Even in the most optimistic case, the abundant and cheap labor that fueled South Africa's industrial development and enabled foreign firms to reap huge returns on their investments will be a phenomenon of the past.

A further examination of U.S. investment in South Africa reveals the extent to which it is dependent upon the Republic's domestic tranquility. Seventy-five to eighty-five per cent of US corporate investment in South Africa is concentrated in 13 American firms, primarily in the manufacturing sector (GE, Ford, Chrysler, etc.) It is obvious that turmoil in the labor force would reduce productivity, but it is also important to note that these American firms are all highly capital-intensive and hence require extensive physical

facilities, storage capacities, transportation systems, etc. which themselves would be highly vulnerable targets in the event of domestic unrest. The essential point is that South Africa's attractiveness as an investment milieu hinges upon the perceptions by outside investor nations of stability within the country. Of particular concern to South Africa is the fact that the deterioration of confidence could escalate rapidly to shake the foundations of even the most seemingly stable economic systems.

To the extent that corporations must base their investment decisions upon indicators of conditions within South Africa, their decisions themselves may be considered indicators of confidence in South Africa's political stability. If one examines the trend in investment that has occurred over the past decade, one theme emerges: though there has been some small scale new foreign investment, U.S. corporations have not made significant new capital commitments to South Africa, indicating a reluctance to commit further physical production capacity there. However, corporations have continued to reinvest their earnings in South Africa despite the allowance of repatriation by the Republic, and they have not begun withdrawing their liquid assets.



This might indicate that they do not yet view their assets to be seriously jeopardized. Nevertheless, growing perceptions on the part of U.S. businessmen of a need for social change in South Africa was seen in the decree issued this year by 12 major U.S. concerns calling for the end of segregation and the promotion of fair employment practices at their plants and other facilities in South Africa.

The loss or potential loss of foreign participation in its economy is only one of the problems presently facing the South African economy. According to Owen Horwood, the Minister of Finance, the decline in the price of gold has impaired South Africa's ability to use gold exports as a "balance of trade regulator" (exporting in excess of desired levels to finance imports.) Furthermore, the increase in the price of oil has hit South Africa especially hard due to its lack of indigenous energy resources. In addition, if South Africa hopes to move ahead rapidly with significant social transformation, it can expect to incur major expenditures; an example is the \$134 million that is already allocated for black education in the current budget.<sup>1</sup>

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<sup>1</sup>It must be noted, however, that despite a 52% increase in funds for black education, the per capita outlay for the 3.5 million black students remains a fraction of the outlay for each white child.

Furthermore, as Chester Crocker notes,

Pretoria is now spending 16 - 18 per cent of its national budget and 4 - 5 per cent of GNP on defense, and further increases can only come at the expense of other high priority sectors that are critical to the country's capacity to maintain and expand employment, to develop the infrastructure needed for export expansion, and to meet the perceived requirements for<sup>1</sup> self-sufficiency in energy and basis industry.

Moreover, just at the time when South Africa would like to devote more of its economic resources to internal development, growing concern over the country's security has necessitated a 21.3 per cent increase in defense spending in the new budget and a 15 per cent increase in the outlays for the police. The increase brought the defense budget to \$1.9 billion, 18 per cent of the \$10.3 billion total.<sup>2</sup>

#### ii. Internal Stability

The economic consequences to South Africa of domestic unrest are thus severe, and internal order assumes a high priority for the South African government. There is obviously more to the government's concern with domestic stability than economics: breakdown of internal stability in South Africa would bring serious changes in that country's social structure and the basic nature of South African society.

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<sup>1</sup>See Chester Crocker, Appendix I-C, p. I-C-19.

<sup>2</sup>"South Africa Increases Outlays for Defense," New York Times, March 31, 1977.

According to J.E. Spence, "the willingness of the young Africans and Coloreds to challenge the status quo in Soweto and elsewhere, and to defy the efforts of the police to restore order, is symptomatic of a profound rise in political expectations after sixteen years of comparative quiet on the domestic front."<sup>1</sup> The government is under pressure from a variety of sources to make major changes in the status of the non-whites with respect to property, employment and other aspects of life -- changes that are being strongly resisted in some South African quarters. The differences in South Africa are not strictly between black and white. The situation is gravely complicated by the multiplicity of racial groups in the country. (See Table 1).

Moreover, it is unrealistic to speak of "blacks" and "whites" in South Africa as monolithic units. For the last quarter century a number of reformists in Afrikaner circles have openly expressed concern about the Afrikaners future and questioned the adequacy of the government's policies.<sup>2</sup> The Afrikaner press is increasingly critical of government policies as well, and some Afrikaner businessmen have suggested

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<sup>1</sup>J.E. Spence, "Detente in Southern Africa: An Interim Judgment," International Affairs, Vol. 53, No. 1 (January 1977), p. 9.

<sup>2</sup>A recent example of this dissent that received considerable attention appeared shortly before the Soweto riots in 1976 when Professor Dreyer Kruger published a paper suggesting that Afrikaanderdom as it is known was doomed to extinction. Cited by Nicholas Ashford in "Is the Afrikaner's Choice Between Change and National Suicide?" The Times (London), May 23, 1977

Table 1

Population Composition of the  
Republic of South Africa, 1970\*

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Principal population groups in total figures and as a percentage  
of the total South African population

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TOTAL . . . . .	21,447,230 (100)
Whites. . . . .	3,750,716 (17,5)
Coloureds . . . . .	2,018,533 (9,4)
Asians . . . . .	620,422 (2,9)
Bantu (Blacks). . . . .	15,057,559 (70,2)

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Main Bantu (Black) peoples (ethno-political units) in total  
figures and as a percentage of the total South African  
population.

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TOTAL . . . . .	15,057,559 (70,2)
Zulu . . . . .	4,026,082 (18,8)
Xhosa (Transkei, Ciskei). . . . .	3,929,000 (18,3)
Tswana. . . . .	1,718,508 ( 8,0)
North Sotho . . . . .	1,603,530 ( 7,5)
South Sotho . . . . .	1,453,354 ( 6,8)
Shangaan. . . . .	736,978 ( 3,4)
Swazi . . . . .	498,704 ( 2,3)
Ndebele . . . . .	414,641 ( 1,9)
Venda . . . . .	357,875 ( 1,7)
Other Blacks. . . . .	317,965 ( 1,5)

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\*preliminary figures

suggested a reexamination of present government policies.<sup>1</sup>

Such thinking is not representative of the entire Afrikaaner community, however. There are those "who want to see Afrikaaners return to the laager and prepare themselves to take on all comers."<sup>2</sup> This segment of the Afrikaaner community desires an end to the pragmatic approach the government has taken in the last few years.

South Africa's white population is further divided by differences between its English and Afrikaaner communities. English-language newspapers, for example, gave prominence to Professor Kruger's thesis regarding the demise of Afrikaanerdome. Having laid the foundation for the apartheid system before the National Party came to power in 1948, however, the English community cannot completely disassociate itself from it. Nevertheless, its increasing demands for change have strained relations in the alliance within South Africa's white community.<sup>3</sup>

In South Africa's black community as well there is a wide spectrum of opinion regarding the evolution of the South

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<sup>1</sup>Christian Science Monitor, March 22, 1977.

<sup>2</sup>Ashford, p. 7.

<sup>3</sup>The Manchester Guardian (Weekly), April 10, 1977.

African system. Representative of only two of the points of view are Zulu Chief Gatsha Buthelezi and the Rev. Smangalis Mkhathshwa. Buthelezi, while critical of the government's apartheid policy, works within that system. He has indicated his belief that if the government dismantled some of its race laws and brought blacks into the government, the potential for violence could be reduced.<sup>1</sup> As head of the Zulu tribal homeland, Buthelezi receives a salary from the South African government and reportedly has been considered for a post eventually in the central government.<sup>2</sup>

In contrast, Rev. Mkhathshwa -- an executive member of the Black People's Convention (BPC)<sup>3</sup> -- argues that piecemeal concessions are no longer sufficient: "(the

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<sup>1</sup> Christian Science Monitor, March 2, 1977.

<sup>2</sup> Ibid.

<sup>3</sup> Formed in 1972, the Black People's Convention (BPC) is the senior wing of the "black consciousness" movement, which began in the mid-1960s among black university students in their search for an outlet to criticize the white government's apartheid policy. The BPC has resolved to work outside the system and does not deal with the tribal or urban leaders who participate. Originally a student and urban phenomenon, black consciousness spread to teachers and religious ministers, and its concepts are now being taught in rural areas as well, although it is having difficulty catching on. As a philosophy, black consciousness questions capitalism, and rejects the Marxian concept of class struggle in favor of a black communalism. An important aspect of black consciousness is its appeal to all segments of South Africa's non-white population.



Afrikaaners) don't understand that talk of change within the system means little anymore."<sup>1</sup> For those who think this way, change in South Africa has very little meaning if it only removes the practices of apartheid. This "all or nothing" attitude favors full-scale changes throughout South African society.

Differences within South Africa's black population are based not only on theories of change, but also on rival personalities and competing organizations. The BPC, for example, has claimed that the African National Congress (ANC) and its rival Pan African Congress (PAC) -- two liberation organizations declared illegal in the 1960s -- have been seriously weakened within the country, obviously implying that the mantle of leadership in the black community had fallen on its shoulders.<sup>2</sup> Contrasting views of South African blacks have sometimes stimulated violence. During the Soweto riots, for example, conflict flared between the youth organizations leading the disturbances and calling for work stoppages and migrant black workers who refused to respond to the students' appeal. Forty blacks were reportedly killed in one week

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<sup>1</sup>The Manchester Guardian (Weekly), April 3, 1977.

<sup>2</sup>Christian Science Monitor, March 2, 1977.

when Zulu tribesmen, angry over work halts, attacked demonstrators.<sup>1</sup>

The internal political situation in South Africa is complicated by the presence of more than two million Coloreds and over 800,000 Asians. Although the Coloreds are the closest of South Africa's races to the whites culturally and socially, they are regarded as an identifiable ethnic group subject to the restrictions of apartheid as other non-whites.<sup>2</sup> In a recent government White Paper, the Vorster regime rejected a number of proposals from a multiracial commission of inquiry designed to provide the Coloreds with new political and social status. The White Paper was scorned by Colored political leaders, who indicated that any improvements the government might make were insignificant. The White Paper was also a disappointment to those in the white community who had argued that a new status for the Coloreds would allow them to identify more closely with the present system.<sup>3</sup> Yet, South Africa's

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<sup>1</sup> Strategic Survey 1976 (London: The International Institute for Strategic Studies, 1977), p. 54.

<sup>2</sup> For a good delineation of the problems facing South African's Coloreds and their historical background, see Lisa Weaver, "Apartheid and the Coloured Dilemma," Africa Report (September-October 1976), pp. 7-11.

<sup>3</sup> Christian Science Monitor, April 12, 1977. The government did make some concessions, however, including the promise to apply the principle of equal pay for equal work.

Colored community is far from unanimous in its demand for major changes; sizeable numbers would not relish being ruled by a black regime. This reluctance is shared by most members of the Asian population, who know what has befallen the Asian populations in some black African countries.

The demographic complexity of South Africa confronts the Vorster government with not just one racial problem, but with three entirely different problems in the three distinct areas of the Republic: in the region near the Cape of Good Hope, the problem is primarily one of a Colored-White balance; in the Veld, it is predominantly a black-white situation; and in the Natal the problem is black-Asian.

In an effort to deal partially with this complex internal situation, the South African government has enunciated two major policies. First is the plan to offer a share of power to the country's minorities through the creation of ethnic parliaments of equal status for South Africa's Whites, Colored and Asians, each dealing with that community's affairs. In addition each community would be represented on a central executive council, with membership racially allotted: six seats for White, three for Coloreds and two for Asians. Moreover, the council would be under the overall leadership of a state president with powers broader than those of the present Prime Minister, who would be chosen by an electoral college constituted in the same proportions as the council (thereby ensuring that the president would be

white).

While the plan has been backed by the Cape Provincial Congress -- the first of four provincial congresses to consider the plan<sup>1</sup> -- it has encountered significant opposition among the Colored community, South Africa's urban blacks and reform-minded whites. The main flaw, according to most critics, is that the proposals make no provision for South Africa's urban blacks.<sup>2</sup> It is, therefore, unclear whether the government will continue to press for the implementation of this proposal.

The other, more important, policy of the South African government in dealing with the problem of the country's demographic complexity is the homeland, or bantustan, policy. According to this policy, each of ten territories now part of South Africa will become independent. These regions -- comprising 13 per cent of South Africa's territory -- have been designated, on an ethnic basis, as the homelands of South Africa's black population (See Map). When all of the homelands are independent, all of South Africa's blacks -- whether they live in the homelands areas or in the white-dominated areas -- will be considered citizens of the homelands and, therefore, have no political rights in the "white" country of South Africa itself.

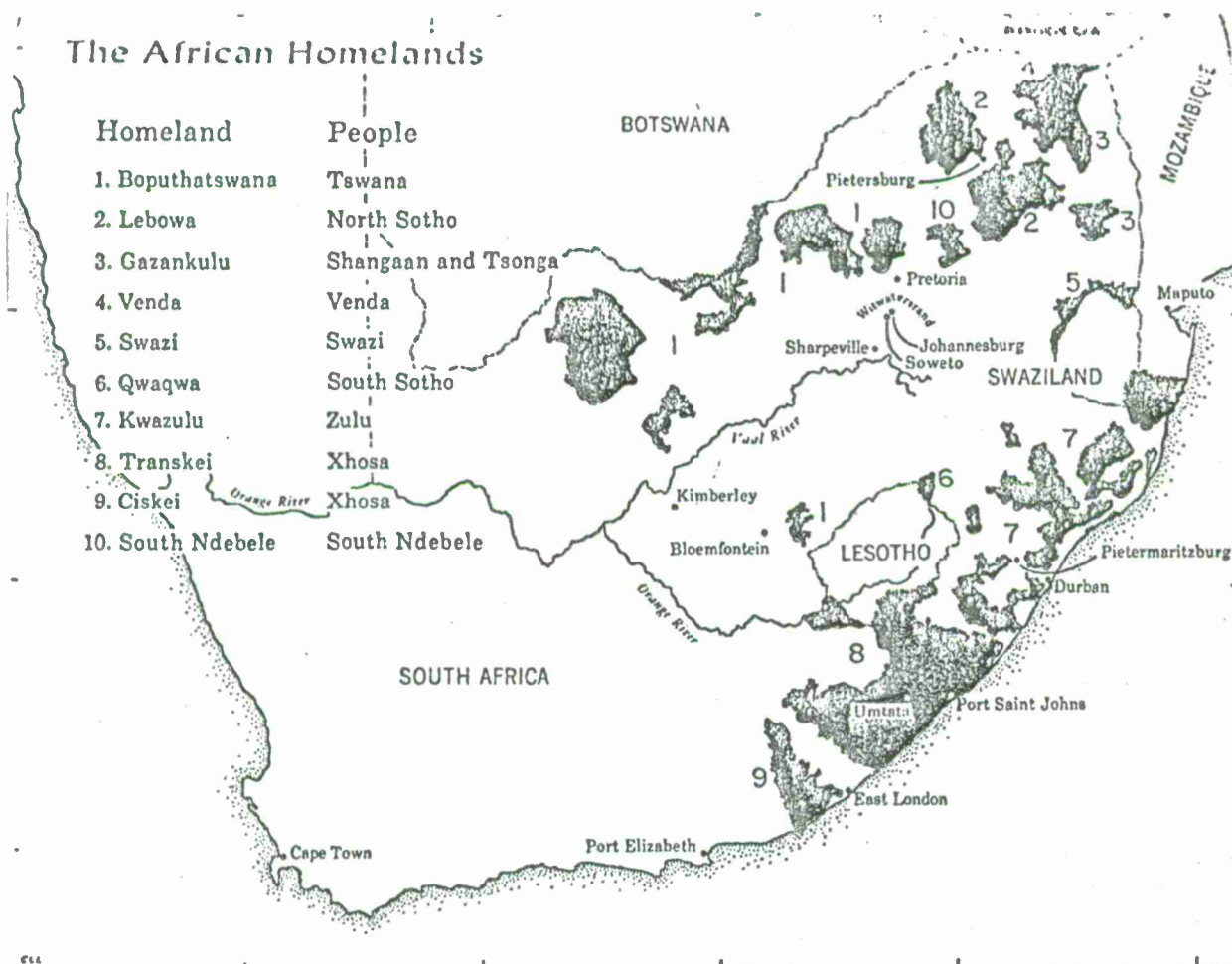
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<sup>1</sup>International Herald Tribune, August 24, 1977.

<sup>2</sup>Christian Science Monitor, August 29, 1977.

## The African Homelands

Homeland	People
1. Boputhatswana	Tswana
2. Lebowa	North Sotho
3. Gazankulu	Shangaan and Tsonga
4. Venda	Venda
5. Swazi	Swazi
6. Qwaqwa	South Sotho
7. Kwazulu	Zulu
8. Transkei	Xhosa
9. Ciskei	Xhosa
10. South Ndebele	South Ndebele



The bantustan policy originated in the early 1960s as an attempt to give separate development -- the essence of apartheid -- a territorial dimension. Politically it was to serve as a solution to the potential struggle for power between blacks and whites. In defining the borders of territories, however, no bantustan but the Transkei was given a seacoast, and all of South Africa's major ports and railways, and the bulk of its mineral wealth, remained within the "white" regions. The designated territories leave the blacks with a hundred scattered patches of land that are not necessarily contiguous and, with one or two possible exceptions, do not constitute the basis for viable states.

The first steps in the implementation of the homelands policy were the granting of independence to the Transkei in October 1976 and the prospective independence of Bophuthatswana in December 1977, cases which illustrate the problems inherent in that policy. In the case of the Transkei, for example, its theoretical population of 3 million is comprised of twelve ethnic groups whose common language is Xhosa. Of these 3 million, however, 1.3 million live and work in South Africa and no longer enjoy citizenship privileges in the Republic.<sup>1</sup> Similarly, Bophuthatswana -- composed of six discontinuous chunks of land stretching

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<sup>1</sup>The Economist, October 30, 1976, p. 64.



mainly along the Botswana border -- will be the homeland for South Africa's two million Tswanas, half of whom are migrant workers living as far south as the Lesotho border.<sup>1</sup>

As in the case of many of the black states bordering South Africa the bantustans will most likely be client states of the Republic. With Pretoria providing over two-thirds of the Transkei's revenues and no evident alternative sources of income, it will obviously be economically dependent on South Africa.<sup>2</sup> Since the Transkei has not received international recognition, it must also use the facilities of South African missions for representation abroad, and its flexibility in foreign policy is likely to be severely circumscribed. Bophuthatswana has been described as "little more than a staging post for the South African economy."<sup>3</sup> Half of the homeland's inhabitants are entirely dependent on Pretoria and Witwatersrand for their living.<sup>3</sup>

South Africa's bantustan policy, therefore, has some serious problems. The concept of independent homelands has not been accepted by the international community, and, consequently, South Africa stands alone in its recognition and support of the newly "independent" entities. The homelands

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<sup>1</sup>"Bophuthatswana: The Crucial Testing Ground," To The Point International, March 21, 1977, p. 22.

<sup>2</sup>Godwin Matatu, "The Transkei Fraud," Africa Number 62 (October 1976), p. 16.

<sup>3</sup>"Bophuthatswana," p. 22.

<sup>4</sup>Ibid.

policy has been criticized as an extension of South Africa's present system of apartheid that does nothing to address the basic problems of South African society.

The most serious problem of the homeland policy, however, is that it does nothing to change the situation for the blacks in South Africa's urban areas, and according to some critics represents a step backward for this segment of the population.<sup>1</sup> There are indications that pressure is building among South Africa's urban blacks for another confrontation with the government. In Soweto, the Committee of Ten has been formed in an attempt to fill the vacuum created in the wake of violence and the forced resignation of the discredited, government-sponsored Urban Bantu Council. Composed of representatives from a broad cross-section of black opinion, the Committee has suggested a plan in which Soweto (and ultimately other black townships as well) would have the full status of an autonomous black-governed city council with direct responsibility

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One senior South African Cabinet Minister has recently suggested, however, that blacks who were permanent residents in the "white areas" might eventually be included in a new political dispensation with the country's white, Colored and Asian populations. Dr. Piet Koornhof, the Minister of National Education, stated in a speech that South Africa was moving toward a confederal system not unlike that of Switzerland in which different groups would eventually be able to participate in the decision-making. Dr. Koornhof's speech represented the first time that a government Minister has raised the possibility that blacks might be given political rights outside their homelands. To some observers the speech suggested that the government could be reappraising its policies with regard to the blacks living in white areas. See The Times (London), May 25, 1977.

to the South African Parliament.<sup>1</sup> In effect, the plan calls for the government to treat Soweto like an independent bantustan. While the plan theoretically fits the apartheid system, it runs counter to the general homelands policy, and it remains to be seen what the government's attitude will be. It is reported, however, that some of the more liberal Afrikaners who wanted to negotiate with the Committee of Ten have lost out to the hard-liners who refuse to accept the Committee's proposal.<sup>2</sup>

The situation in South Africa remains uncertain. Helen Suzman, one of South Africa's most celebrated and consistent parliamentary opponents of apartheid, has said "there is no revolution around the corner here. Things are just going to go on getting worse."<sup>3</sup> If the situation deteriorates, the government will be faced with the choice of making changes in the status of the non-whites or strengthening the internal security system and relying on increased repression. Both choices entail risks that could be substantial. On one hand, introducing reforms that abolish apartheid but fall short of majority rule may arouse political expectations and generate more demands that cannot be easily met. On the other, increased repression runs the risk of catalyzing a serious internal conflict that would push South Africa's neighbors to step up

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<sup>1</sup>The Times (London), July 26, 1977.

<sup>2</sup>Christian Science Monitor, August 17, 1977.

<sup>3</sup>Quoted in The Manchester Guardian (Weekly), April 10, 1977.

their pressure on the white regime. A race war in South Africa is not imminent or even inevitable, but in the absence of change its longer-range probability will increase.

iii. South Africa's regional role

South Africa's position within the southern African sub-region is characterized by three major problems: 1) the fact that "within its immediate sub-region, the Republic's position is strikingly dependent upon its raw, physical power over black-ruled neighbors and is subject to a long-term divergence of purpose"; 2) the fact that forecasts of South Africa's regional role depend essentially on judgments regarding the timetable available for the country to come to grips with the reality of black determination to end white rule and; 3) the fact that South Africa's regional importance derives not only from its power but also from its role as a focal point of regional conflict.<sup>1</sup> It should be pointed out that unlike Brazil, South Africa does not seek sub-regional prominence except as a means to defuse pressures about its internal policies.

Nevertheless, as southern Africa's major economic and military entity, the present administrator of Namibia,

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<sup>1</sup>See Crocker, Appendix I-C, M-I-C-1-2.

and perhaps the most important actor in the Rhodesian problem, South Africa holds the key to new evolution of the southern part of the continent. Pretoria has recognized that an adverse resolution to the political problems immediately beyond its borders will severely constrain any dynamic and influential long-term role it might hope to play in the area. Consequently, it has taken an active position in deciding the future of Rhodesia and Namibia. It faces a serious problem, however, in that its attempts to divorce internal South African affairs from wider regional developments collapsed in the wake of its incursion into Angola and the internal rioting in the black enclave of Soweto that spread to other areas of the Republic.

Long before Angola and Mozambique became independent, South Africa had been pursuing an "outward movement" toward selected states in black Africa (including Zambia and Malawi in southern Africa). While the economic dimension was a vital aspect of that policy, the motivation for the new strategem was essentially political; to bolster the country's image as a valuable regional actor and to create awareness among black Africans of the benefits in dealing with it.<sup>1</sup> The underlying hope in Pretoria was that a successful "outward" policy would mute differences between black Africa and the Republic regarding South Africa's internal situation.

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<sup>1</sup>See J.E. Spence, "South Africa and the Defence of the West," The Round Table, Number 241 (January 1971), p. 19.

A logical extension of South Africa's "outward movement" was the policy of "detente" explicitly enunciated by John Vorster who promised to promote "a durable, just and honorable solution" to the conflict in Rhodesia.<sup>1</sup> The response of the black states was swift and positive. President Kaunda in Zambia, for example, hailed Vorster's speech as "the voice of reason" emanating from the Republic. While the interpretations of detente and the domestic motivations behind it were the subjects of some debate,<sup>2</sup> it was clear that South Africa and its black neighbors shared the common interest of cooperating in the transfer of power in Rhodesia.

Pretoria's military intervention in Angola, however, reversed the positive trend in South Africa's relations with black African states that ten years of diplomacy had established. The failure of South Africa to achieve its objective in Angola<sup>3</sup> undermined one of detente's major assumptions -- that is, that local actors were best suited to play the primary role in directing the

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<sup>1</sup> Quoted by J.E. Spence in "Detente in Southern Africa," p. 1.

<sup>2</sup> For a critical examination of the contrasting views of detente, see Ibid., pp. 2-4.

<sup>3</sup> Three major objectives for the South Africans' military action can be cited: 1) protection of the Cunene River hydro-electric complex in southwestern Angola; 2) destruction of SWAPO guerrilla bases in southern Angola; and 3) improvement of the FNLA-UNITA military position. See Charles Ebinger, "External Intervention in Internal War: The Politics and Diplomacy of the Angolan Civil War," ORBIS, Volume 20, Number 3, (Fall 1976), p. 691.



couse of change in southern Africa. The Republic's use of force in Angola subverted the argument implicit in the détente policy that change could be achieved through political and diplomatic, rather than military means.<sup>1</sup> Furthermore, South Africa's involvement in Angola also discredited Pretoria's African partners and underlined the limits on its ability to operate, politically, beyond its borders.

Disturbances in Soweto in the latter half of 1976 further compromised South Africa's position as an agent for peaceful change in southern Africa by linking more closely external and internal developments. The disturbances indicated that the government no longer has the luxury of concentrating on external relations at the expense of internal priorities. In addition, as a result of police reprisals during the riots, many South African militants sought asylum in neighboring black states, thus linking the conflicts in Rhodesia and Namibia more closely to civil unrest in the Republic. Finally, coming on the heels of the South African reverses in Angola, the timing

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<sup>2</sup>J.E. Spence, "Détente in Southern Africa," p. 7.

of the disturbances indicates that events beyond South Africa's borders contribute to the perceptions of the blacks within the Republic and will, therefore, have significant internal repercussions.

Although the Republic's ability to control the pace and direction of change in southern Africa has been reduced, this does not mean that it has been robbed of a role. On the contrary, policies in Pretoria will have a major impact on the situations in Namibia and Rhodesia. The difference lies in the fact that the failure of South Africa's detente policy has increased the risks to the Republic associated with any policy it might pursue.

In the wake of the Angolan conflict the Vorster regime has apparently concluded that it would not serve South Africa's interest to bolster continued white rule in Namibia and Rhodesia at the cost of an open-ended South African commitment. What is important to the Republic, however, is the nature of the transition in those countries to majority rule.<sup>1</sup> For this reason, Pretoria sponsored a Namibian constitutional convention in Windhoek (the so-called Turnhalle conference) and has used its leverage on the Smith regime to push him toward considering an accommodation with Rhodesia's blacks.

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<sup>1</sup>For a discussion of key elements in a tolerable transition see Crocker, Appendix I-C, p. I-C-12.

On August 17, 1976, delegates at the Turnhalle talks announced that Namibia would become independent on December 31, 1978, and that an ethnically apportioned interim government would be established as soon as a Constitution could be drafted. By March 1977 the South African government announced that agreement had been reached on a draft constitution. The interim government was to consist of eleven Ministers -- one for each ethnic group represented at the conference -- and all decisions were to be made by consensus, thereby giving each of Namibia's ethnic groups veto power over measures before the national assembly.<sup>1</sup> By declaring that only those people who had lived in Namibia for at least five years were eligible to stand for election to the legislature, the conference effectively ruled out participation of the South-west Africa People's Organization (SWAPO) -- the Ovambo-based liberation organization.<sup>3</sup>

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<sup>1</sup>It is interesting to note that in November 1976, all of the Turnhalle delegates flew to Pretoria where they were told by Prime Minister Vorster that they were dragging their feet and if progress was not made quickly he would impose a settlement on them. Strategic Survey, 1976, p. 50

<sup>2</sup>The Economist, March 19, 1977, p. 75.

<sup>3</sup>Founded in 1957 as a purely Ovambo grouping, SWAPO completely rejected the Windhoek talks, arguing that it was the sole representative of the Namibian people, a claim supported by international organizations. Since the mid-1960s SWAPO has sought to create a guerrilla foco in Ovamboland, basing their operations in Zambia and, after Angolan independence, in that country as well.

It quickly became apparent that the Turnhalle arrangements failed to win international approval. Rejection of the proposals by the black African states induced Western governments to take a hardened attitude. Representatives of five Western powers met with Prime Minister Vorster and his Foreign Minister to convey that the Turnhalle constitutional proposals were unacceptable and should be abandoned. They called instead for "an internationally acceptable settlement to the Namibian problem consistent with Security Council Resolution 385."<sup>1</sup>

The Vorster government has been willing to make concessions to this Western pressure for a number of reasons.<sup>2</sup> First, if the Turnhalle arrangements had been

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<sup>1</sup>Quoted in "Namibia: A Western Demarche," Africa Number 69 (May 1977), p. 46. Security Council Resolution 385, passed in January 1976, sets out five conditions for the transition to independence in Namibia: 1) revocation of all discriminatory and repressive laws; 2) release of all political prisoners; 3) unconditional return of political exiles; 4) withdrawal of South Africa from the territory and; 5) UN supervision of free elections.

<sup>2</sup>Prime Minister Vorster, for example, reportedly dropped his opposition to SWAPO participation in elections for a constituent assembly with the vote open to all Namibians. He has also indicated that the United Nations could "participate in," if not "supervise" the elections. Subsequently, the South African government announced that instead of proceeding with its earlier plans, it would appoint an administrator-general for the territory until elections could be held. Issues that are still outstanding are the release of political prisoners, the presence of South African troops in northern Namibia and the nature of SWAPO participation. See The Economist, May 21, 1977, p. 71 and the New York Times, June 11, 1977.

implemented, the international response would likely have been similar to that following the Transkei's independence: the country would remain unrecognized and internationally ostracized. Another diplomatic setback of this kind would further damage South Africa's prestige.

Second, the introduction of the interim proposal could have prompted intensified guerrilla activity by SWAPO, and South Africa would be confronted with the kind of open-ended military commitment that it is seeking to avoid.

Third, implementation of the Turnhalle proposals ran the risk of hardening the Western nations' position with respect not only to Namibia but also toward internal change within South Africa.

Finally, the Vorster government has apparently made the decision to leave Namibia, and it finds little difficulty in remaining flexible on most issues except an outright turnover to SWAPO.

South Africa's role in the resolution of the conflict in Rhodesia is less conspicuous, but no less important, than its influence in the eventual outcome in Namibia. The Republic enjoys a number of points of leverage over Salisbury. It is the one country that does not officially observe the

sanctions imposed by the UN, and with the closure of the Mozambican border in 1976, South Africa handles virtually all of Rhodesia's trade. Pretoria also provides significant military support for the embattled Smith regime.

Since its unilateral declaration of independence from Britain in 1965, Rhodesia has posed a dilemma for South Africa. On one hand, there is a sympathetic identification of some of South Africa's whites with Rhodesia's whites. On the other hand, there is widespread recognition that South Africa's support of Rhodesia will undercut any possibility of Pretoria establishing good relations with black Africa and exploiting its regional potential.

By the time Prime Minister Vorster met with Secretary of State Kissinger in June 1976, it was clear that South Africa would not unconditionally support the continuation of the Smith regime. As in Namibia, what is important to Pretoria is the manner in which the transition of power will be made. Since early 1976, Vorster has been pushing for a negotiated settlement, and in order to bring Smith to the conference table, South Africa took a number of steps during the latter half of 1976. Its actions included the withdrawal of fifty Alouette helicopters essential to the Rhodesian army's counter-insurgency program, signals that



the supply of military materials would be terminated if there was no movement toward a political settlement, and the back-logging of Rhodesian exports worth about \$45 million on the pretext that South African facilities could not handle them.<sup>1</sup>

As the pressure on Salisbury increased, Smith agreed to accept majority rule in the country within two years and to attend discussions with black Rhodesian nationalists in Geneva, although he probably had good grounds to suspect that any conference would not lead to the result intended by Kissinger and others.

Since the collapse of the Geneva conference, the South African strategy has been clear: to provide enough support to Salisbury so that it can contain the guerrilla war and approach any forthcoming negotiations -- however remote a possibility at the moment -- from a position of strength and flexibility. South African military support, for example, reportedly increased sharply following accounts of the appearance in Mozambique of Soviet-made MIG-21 jets and T-34 tanks.<sup>2</sup> Such a policy is con-

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<sup>1</sup>Godwin Matatu, "Zimbabwe's Political Mosaic," Africa Number 63 (November 1976), p. 12. There is some question regarding South African's decisions about the helicopters. Some sources indicate that Pretoria left the helicopters but withdrew its pilots.

<sup>2</sup>The Manchester Guardian (Weekly), May 8, 1977, p. 9.

sistent with the Republic's concern for the process of transition and the new government in which that process results. Obviously, South Africa would prefer the installation of a moderate pro-Western regime that had been determined through negotiations. What it fears is the coming to power of a radical and militant government through successful guerrilla operations initiated from neighboring countries.

There are limitations to South Africa's room for maneuver on the Rhodesian issue as well as to the amount of leverage it can exert on Salisbury. Those limitations emanate from domestic as well as international considerations. In his meeting with Vice President Mondale, Prime Minister Vorster reaffirmed his commitments to support Anglo-American efforts to get interested parties in Rhodesia to agree to an independence constitution and the necessary transitional arrangements. He also stipulated, however, that every effort had to be made to reduce the violence in Rhodesia -- an effort that was rejected by the black nationalists and some black states when it was part of Secretary Kissinger's earlier package. The question now facing South Africa, therefore, is how far it can influence, the Smith regime toward a settlement without enhancing significantly the prospects for the guerrillas' ultimate success.

The inter-relationship between internal developments within South Africa and wider developments in southern Africa has become the primary concern of the South African leadership. According to J.E. Spence, "A victory for African nationalism in Rhodesia would greatly encourage Africans within the Republic and increase the pressures available to South Africa's black neighbors and if the transition to military rule is achieved by a long drawn-out revolutionary struggle, their mood would be correspondingly more militant."<sup>1</sup> For this reason, South Africa is seeking an active role in the area to insure that there is a favorable transition not only in Rhodesia but Namibia as well.

#### iv. International Status

As was noted earlier, in the aftermath of the Angolan civil war South Africa has sought to involve the United States and other Western states in the affairs of the sub-region. The reasons for South Africa's new policy, particularly with respect to Rhodesia, are multifaceted: to shore up moderate African opinion against further Soviet and Cuban involvement; to limit communist risk-taking in Africa beyond Angola; to prevent South

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<sup>1</sup>J.E. Spence, "Detente in Southern Africa," p. 10.

Africa's becoming involved in its own "Vietnam" in Rhodesia or Namibia. One motivation that is often overlooked, however, is that a perceived association of South Africa with the West, and particularly the United States, would partially help to strengthen South Africa's standing as an influential regional actor.

Although South Africa has substantial economic dealings with the West and recognizes the importance of a Western role in the region, the increasing estrangement of the United States and other Western nations over South Africa's domestic policies has sharpened the country's concern for its position in the international arena. Consequently Pretoria has sought political and diplomatic support wherever it can be obtained.

Important in this regard are the growing ties between South Africa and Israel. Before 1973, Israeli links with black Africa had been incompatible with the development of a closer relationship with Pretoria, but those links were severely damaged in the aftermath of the October War of 1973. A turn-around in relations between the two countries following the war has led to a swift expansion of commercial, scientific and military bonds. Between 1968 and 1976, Israeli-South African trade soared from \$9 million to \$97 million (not including weapons exchanges), with a

high percentage of that growth in the last three years.<sup>1</sup> South Africa represents a vital source of minerals and metals (iron ore, etc.) needed to fuel Israeli industry. Israel also imports South African steel, sugar, hides and cement, and arrangements are underway for the annual purchase of a million tons of coal. From Israel South Africa imports a range of goods including textiles and electronic equipment.<sup>2</sup>

From the South African viewpoint, however, the most substantial dividend from this relationship is the access Israel provides to armaments that are increasingly difficult for Pretoria to obtain elsewhere. Although details of most arrangements are closely guarded, the terms of one contract provide for the South African purchase of six corvettes armed with surface-to-surface missiles, and others provide for the manufacture of Israeli-designed equipment under license.<sup>3</sup> According to one report, South Africa increased its investment in the Israeli arms industry from R 1 million to R 20 million in 1976 with R 32 million expected to be reached by 1977,<sup>4</sup> but both Israel and South Africa deny these reports.

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<sup>1</sup>The New York Times, May 21, 1977.

<sup>2</sup>"The Israel-Africa Connection," Africa Number 68 (April 1977), p. 43.

<sup>3</sup>New York Times, May 21, 1977

<sup>4</sup>"The Israel-Africa Connection," p. 43.

There has also been speculation regarding South African-Israeli nuclear cooperation. Building upon existing linkages in commercial and military cooperation, nuclear weapons cooperation could be forthcoming since both countries have the requisite technological skills.<sup>1</sup> Suspicions that South Africa and Israel would cooperate on nuclear weapons became more prominent, especially among black states, when the two countries agreed to broaden their scientific and technical ties during Mr. Vorster's visit to Israel in 1976.<sup>2</sup>

Some consideration has also been given to nuclear cooperation between South Africa and Argentina. Buenos Aires has been one of South Africa's stronger backers in Latin America, and the possibility of collaboration between them cannot be dismissed. The potential also exists for closer relations between Pretoria and Tehran. In 1976, for example, Iran extended a loan of \$600 million in gold collateral to South Africa. There have also been discussions between representatives of the two nations' navies with regard to defense and security in the Indian Ocean.

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<sup>1</sup>For an exposition of this thesis, see Lewis A. Dunn, "Nuclear Gray Marketeering," International Security, Vol. 1, No. 3 (Winter 1977), p. 112.

<sup>2</sup>New York Times, April 30, 1977.



The pattern of South African international diplomacy appears to be somewhat haphazard, concentrating on relations with a checkerboard of countries that do not necessarily have much in common among themselves or with Pretoria. The South Africans appear to be hoping that consolidation of Pretoria's position within southern Africa and closer ties with the West will remove its present international stigma. Meanwhile, South Africa will accept diplomatic and political support from whoever is willing to offer it.

v. National Security

South Africa is seriously concerned over the expansion of communist activity within its borders and throughout southern Africa. The South African government focuses on this problem in part because of the perceived communist threat to its rule represented by the now-underground South African Communist Party. In the past, anti-communist sentiments spurred South African participation in the Korean War and support of the Portuguese in Africa fighting against liberation organizations perceived as communist-dominated. South Africa's anti-communism could also be considered a motivation for its intervention in Angola in support of the factions fighting against the Soviet-backed MPLA.

South Africa's strategic position in the global arena of East-West competition has been used by Pretoria as a consistent rationale for closer ties to the West. The growth of the Soviet presence in and around Africa is frequently cited as a reason why Western military forces should forge closer links with South Africa and make use of its excellent facilities. The South African position has been described this way:

To ignore the contribution that South Africa could make to these hazards on the grounds that its domestic policies make it an unpalatable partner in the task of containing Communist expansion, is to base foreign policy on ideological preferences that have no relation to the real needs and interests of the Western powers.<sup>1</sup>

As yet, however, this South African argument has not found a positive echo in the West.

b. Nigeria

i. Economic Development

Despite Nigeria's modest economic success

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<sup>1</sup>J.E. Spence, "South Africa and the Defense of the West," p. 19.

achieved in the last fiscal year,<sup>1</sup> the country still faces a demanding task, as was indicated by Lt. General Olusegun Obasanjo, Nigeria's Head of State, in his economic report on April 1, 1977. The new financial year will be one of austerity, with reduction in government spending.<sup>2</sup>

The government will continue to give prime attention to the fight against inflation, and major incentives to encourage exploration and development of new oil fields will be concluded and announced shortly. The fiscal year 1977-1978 has been deemed the "year of agriculture and industry." Measures will be taken to accelerate the modernization of agriculture and further incentives will be aimed at speeding the pace of industrial expansion.

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<sup>1</sup>In real terms, the country's economy grew by 10 per cent in 1976-1977 compared to a growth rate of only 2.8 per cent in 1975. Though largely attributable to the performance of the oil sector which increased by 14.8 per cent over the figure recorded for the preceding year, agriculture contributed to economic growth as well. Inflation declined from 35 per cent in 1975-1976 to about 20 per cent in the past year. In spite of a recorded trade surplus of N1, 600m, the balance of payments position continued to be adverse. The balance of goods and services for 1976 showed a deficit of N130 and the deficit of the country's total current account for 1976 rose to N219.9m. This adverse balance reverses the favorable trend that was recorded for each of the preceding three years. Overall, the country's balance of payments showed a deficit of N242.6m, and as a result, Nigeria's external assets declined marginally from N3,696.4m in 1975 to N3,453 in 1976. See "Nigeria: Year of Agriculture and Industry?", Africa, Number 69 (May 1977), p. 116.

<sup>2</sup>Total government expenditure in the next year will be about N8, 600m, 25 per cent more than last year. See Ibid.

Agricultural growth has suffered in Nigeria for a number of reasons. Following the Nigerian civil war, very high rates of migration to the urban centers were experienced and have continued into the 1970s. Attracted by the rapid rise of urban-based incomes and driven by the unfavorable resources and stagnation of Nigerian agriculture, significant portions of the labor force flowed into the urban areas. In addition, improvement of the food-producing industry requires both high capital and high energy inputs, and hence does not improve in the absence of the capital outlays and delivery of the inputs.

Professor West has pointed out that with the relatively greatest dependence on its agricultural sector of all the South Atlantic countries, Nigeria has the least favorable land-to-man ratio, as well as a low productivity level as measured by productivity per worker.

Despite these not inconsiderable problems, the government is considering emphasis on large scale commercial agriculture, while continuing efforts to remove the bottlenecks to modernization. The objective is not only to satisfy local demand for food and agricultural materials, but also to be able to export surpluses. To this end, the

government has announced the following policy mandates to further assist agriculture and agro-allied industries.

1. State governments have agreed to allocate certain areas solely for large-scale plantations which may be developed by either indigenous or foreign parties.

2. The federal government will provide tax relief for a period of at least five years for any agricultural or related project whose raw materials are produced locally.

3. All raw materials for the manufacture of live-stock feed will come in duty free.

4. Imported food items now banned will continue to be on the prohibited list, except chocolate and chocolate preparations.

5. Agricultural machinery will continue to be imported duty free as will all machinery used for food and agricultural processing.

6. The Federal government has established a fund to provide guarantees of loans granted by any bank for agricultural purposes.

Despite General Obasanjo's emphasis on agriculture, some analysts have raised questions regarding the priority given to this sector by the Federal Government as a consequence of agriculture's relatively small allocation in the recurrent budget (about 1.05 per cent of the total.)<sup>1</sup> It must be remembered, however, that agriculture is primarily the responsibility of the individual state government with the Federal Government providing assistance and programming. Moreover, the capital development allocations are not included in the

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<sup>1</sup>In contrast, the Ministry of Defense was allocated 41.7 per cent and the Ministry of Education 12.2 per cent of the total recurrent budget.

recurrent budget and these could be used by the Federal Government to rectify this seeming contradiction. Nevertheless, one can ask whether the federal back-up of the states' agricultural programs is sufficient to avoid difficulties and delays in achieving the country's agricultural objectives.

Though Nigeria's manufacturing sector is embryonic at this state, the government is pursuing plans to channel oil earnings substantially into expansion of a manufacturing capacity in order to anticipate growth of domestic demand, "catch up" with the import substitution for manufactures currently purchased abroad, and penetrate foreign markets in the African and South Atlantic region (perhaps even markets in Europe and North America, if possible). To this end, Lagos has called for the conservation of foreign exchange for capital formation and development, and as part of the effort to continue to assist local industries, some imports have been banned. Protection incentives have also been established for local manufacturing industries.

These are precisely the goals that contribute to the growth of manufactures in Brazil. However, as previously discussed, manufactures and industrial inputs constitute a rising proportion of Brazil's imports, given that in part such imports supply technology inputs for the manufacturing sector itself. In the long run, Nigeria is hoping to complete



the installation of a manufacturing sector as one substitute for declining energy production, and she is likely to confront some variation of Brazil's current dilemma. The most fundamental problem remains the general one of subsidization and protected expansion of manufacturing in lines, and at a scale, consistent with the nation's comparative advantage.

Nigeria's plans for economic growth hinge critically upon her ability successfully to manage oil exploration and production, and upon her capacity to absorb revenues and utilize them to promote growth and stability throughout the country. There are many factors in the formula for national economic vitality, however, that are beyond the control of the Nigerian government, including the rate of growth of Nigeria's overseas petroleum market, and the unit-value and volume of petroleum sales. Several issues will particularly command the attention of Nigerian policymakers in their effort to capitalize upon the nation's resource endowments. Nigeria has a continuing need for exploratory and production technology, especially in light of the small size of the presently known fields. National capabilities are still quite limited, and Nigerians must resolve the issue of the role foreigners are to play in exploration and production of petroleum, as well as the terms on which foreigners will be permitted to participate.

Two events in the past several months indicate that Nigeria might consider allowing expansion of foreign involvement in oil production. First, in January the Italian oil company AGIP announced that it had discovered a large field in Nigeria, in the Niger River delta. Current production tests from the first well showed a capacity of 1,000 tons a day of top-quality oil according to AGIP.<sup>1</sup> Further drilling will be needed to assess the full extent of the newly-discovered reserves and it is likely that AFIP will be significantly involved in this phase. Second, the official merger of the Nigerian National Oil Corporation and the Ministry of Petroleum Resources to form the Nigerian National Petroleum Corporation, NNPC, occurred in May of this year. The new corporation is empowered to engage in all commercial activities relating to the oil industry. An official announcement states that the new corporation will embark on the recruitment of foreign personnel capable of contributing to the country's objectives in the petroleum field.

The intelligent management of oil revenues could also go a long way toward the prevention of recurring unrest or civil strife in Nigeria. Oil reserves happen to be distributed quite unevenly among Nigeria's nineteen administrative areas, and hence there exists a vast disparity in the division of financial resources among the various Nigerian ethnic groups. The government must, therefore, direct revenues to the development of those areas devoid of their own indigenous resources.

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<sup>1</sup>Sub-Saharan Africa, "Italian Firm Discovers New Oil Field," January 19, 1977, p. D5.

Among the economic tasks that will face the Nigerian government in the coming decades, therefore, two emerge as most significant. First, Nigeria must develop a resource policy that will maximize the benefits to be gained from its abundant oil deposits. Briefly stated, Nigeria simply cannot absorb revenues completely at present and would prefer to defer major cash inflows until the 1980s. Nigeria was only able to spend 65 to 80 per cent of the \$5 billion budget allocated in its second Seven Year Plan, and there is speculation that the third economic plan will result in a similar pattern of under-spending. This absorption problem is reflected in Nigerian oil strategy to constrain price rises or maintain them at a moderate level in order to encourage secure markets in the long-term. Essentially, Nigeria faces the option of either following the Saudi expenditure model and investing excess funds overseas, or leaving the oil in the ground to be extracted in the 1980s. If forced to produce at levels higher than required by current expenditures, would the central government be able to manage and utilize surplus revenues productively? Perhaps, but there is also ample evidence of misspending and waste in Nigeria today.

The second fundamental economic problem facing Nigeria, which is likely to result in a severe crisis in the 1990s if not confronted soon, is the lack of an economic infrastructure. The central core of the Nigerian economy currently consists of low productivity agriculture. A transformation establishing a major alternative central structure for the economy could assume

a variety of forms, including the modernization of the agricultural sector or the acquisition of technology and the development of indigenous industry, as in the Brazilian example, or perhaps both.

Nigeria's developing industrial strength and an economy growing beyond the capacity of its infrastructure have caused some severe problems. All neighboring coastal countries have been asked to help overcome traffic jams at Nigerian ports. The under-utilized ports of Tema in Ghana, Cotonou in Benin, and even Abidjan in the Ivory Coast have responded well. Problems have arisen, however, as the Togo and Benin borders have been closed and reopened while these two countries were at odds politically. In 1976, congestion of the Lagos/Apapa ports, where more than 400 ships were waiting to berth, resulted in the loss of about N20m daily as payment for demurrage. In an attempt to redress this problem, Nigeria recently asked the Netherlands to allow Nigerian port personnel to undergo training in harbor administration in the port of Rotterdam. Lagos wants 500 Nigerians to be trained at the rate of 100 per year. Nigeria hopes that the advanced training provided at the Dutch port will give its harbor personnel the skills to prevent a repetition of the chaos caused by the blockage of Lagos port in 1976.

But it will not be infrastructural deficits, harbors and railways, that will effectively limit Nigeria's absorptive capacity in the future and impede economic progress. The major problem, rather, inheres in the lack of large-scale enterprise experience; and in the inadequate, pool of technical talent to support the high growth rates of modern industrial capacity forecast in official Nigerian plans. Nigerian commercial and industrial development in the past has been primarily implemented by private enterprise. There exists a broad business community, chiefly experienced in management of smaller and medium-sized organizations. This dearth of large-scale managerial and technical capacity has not been eased by a transfer of functions from private to public responsibility. As Professor West notes, the management capability of public authority and civil service in Nigeria is seriously strained by the present scale of public administration and has been further weakened by the multiplication of political divisions and authorities in the country. Compounding the problem is the fact that Nigeria is experiencing a "brain drain" -- there are estimated to be 30,000 "qualified and experienced" Nigerians in Europe, Asia, and North America, and 20,000 in East, Central, and West African countries.

These problems spotlight the importance of education in Nigeria

and its potential for facilitating development. Traditionally, a requirement for entry into public life, formal education in Nigeria has been directed toward what was called a "civil servant state." The influence of the Ashby Committee -- a group of American and British academicians advising Nigeria on education in the early 1960s -- is still too strong, with its emphasis on training in the liberal arts rather than upon vocational training programs. Nigeria's ability to solve effectively the problems that will confront it in the coming years will depend significantly upon its ability to mobilize and train human resources and talent in vocational capabilities.

Despite its domestic and economic problems, Nigeria can be expected to expand broadly her economic ties with nations in West Africa. The elements are present there for substantial growth in agricultural and oil trade. Nigeria is also turning to its neighbors as an investor. It is putting \$32 million into a pilot sugar project in Benin and over \$375 million into a cement plant. Nigeria furnishes most of the capital and a guaranteed market for the sugar while Benin provides the labor force. Lagos is also sharing in a multinational African investment in a Guinea iron ore mine at Mount Nimba and in a new refinery in Togo at Lome. When the latter is completed, Nigeria will import phosphates from Togo in exchange for crude oil for the Togo refinery. Togo will then be able to



market the refined products and earn valuable foreign exchange. The Lome refinery will come onstream in 1977 -- well before Nigeria's own planned refineries -- meaning that Nigeria, which will still be short of refined oil, will provide an immediate market for the Togolese petroleum products, at least for a while.

Additional projects in which Nigeria is involved include an agreement with the Ivory Coast to participate in a petrochemical project in Nigeria in return for Nigerian help in establishing an asphalt plant in the Ivory Coast (in which other West African countries will also be asked to participate). In September 1976 an agreement was also signed providing for the sale by Nigeria to Senegal of 2.5 million tons of crude petroleum a year for at least fifteen years. In order to supply the new refinery at Kayar, due to come into production in 1978, Nigeria has also been financing construction of roads in neighboring countries. The new highway from Porto Novo in Benin to Idiroko on the Nigerian border was constructed especially to improve economic cooperation between the two countries. Communications with Niger, Nigeria's traditional trading partner to the north, have been improved on the Niger River, which cuts through the heart of both countries. It can now be navigated the entire route from Niger's side of the border to the Coast for seven months of the year when the river is in flood.

ii. Internal Stability

In the aftermath of Nigeria's civil war, the military government has tried to mitigate the problems in a society containing vast regional and cultural differences and sometimes sharp intertribal rivalries. The unity of Nigeria has been a paramount concern to successive national governments since the country's independence. The differences within the country have virtually dictated the need for some form of federal system, and the government has been faced with the continuing problem of striking a balance between local delegated autonomy adequately addressing the needs of various areas and ethnic groups and the authority of the central government vital for instilling a sense of national unity.

As part of this balancing process, in February 1976 the Federal military government redrew the administrative boundaries of the Nigerian states, creating seven new states and bringing the total to nineteen. The stated purposes of the exercise were to bring government nearer the people and to assure even economic development in all parts of the Federation.<sup>1</sup>

Another step taken by the government to defuse the potential differences between Nigeria's regions and tribes --

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<sup>1</sup>"Devolution of Power in Nigeria," Africa, No. 61, (September 1976), p. 44

and to start the country's movement back to the civilian government promised by 1979 -- was the successful administration of local elections in November 1976. The elections, which led to the establishment of local councils, were the first since 1965.<sup>1</sup> The structure under which the new councils have been established promises to transform the country's local government administrative system by making local governments more autonomous and less the creatures of the state administrations. In doing so it is hoped that they will be more responsive to local needs.<sup>2</sup>

One factor that could affect Nigeria's internal political stability is its excessively large military establishment. Nigeria has the largest standing army in black Africa. It is, however, in part an army of expedience. According to Lt. General Theophilus Danjuma, then Chief of the Army Staff, "over 90 per cent of the army budget is spent on paying salaries. In other words, since the civil war, the Nigerian Army has been seen as a social service, maintaining and paying an exceedingly large body of men that we do not really need and whom we cannot properly equip."<sup>3</sup>

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<sup>1</sup>In that 1965 election, Nigeria's Western Region went to the polls in a controversial election that was partially responsible for the collapse of the civilian government and the emergence of the military regime. See "Nigeria Another Step to Civilian Rule," Africa, No. 65 (January 1977), p. 15.

<sup>2</sup>Ibid.

<sup>3</sup>Quoted by Leigh Johnson in "Nigeria: African Super-State," Defense and Foreign Affairs, Number 8-9, (1976), p. 47.

The federal government has announced plans to demobilize 60,000 to 100,000 men in an attempt to ease this problem. A complication arises, however, in finding alternative employment for those who are demobilized. The impact is almost certain to be some dislocation of the civilian population.

Considerable political and social problems will continue to face any Nigerian government in the future. Although a civilian government may assume power in 1979, it will be confronted with continuing tribalism, corruption and an unwieldy military establishment. If the civilian government is unsuccessful in meeting these challenges, Nigeria could very well return to military rule. Some military and police officers consider themselves the "protector of the nation," and threats to Nigeria's national unity will inevitably encourage them to play a greater domestic political role.

### iii Regional influence

Under the military government that ousted General Gowon in 1975, Nigeria has been playing a more active role in West Africa and in a wider African context. Lt. General Obasanjo has pursued a policy of consolidation of friendship with his neighbors and more direct involvement in the continent's major issues.

Nigeria's active participation in African affairs was largely inhibited by the 1967-1970 civil war. At that time, Nigeria's relations deteriorated with those states in black Africa who recognized the Biafran secession. Total reconciliation with these states after the civil war was not achieved, in light of the uneven and often hesitant foreign policy of General Gowon.<sup>1</sup>

In the wake of the coup that replaced Gowon, one clear signal of Nigeria's new African policy was given at the OAU meeting on Angola at Addis Ababa in January 1976, when Nigeria not only aligned itself with the militant supporters of the MPLA, but was prominent in the fight for OAU recognition of that organization. Since that time Nigeria has used its oil revenues to provide aid to both Angola and Mozambique.<sup>2</sup>

Nigeria has taken steps toward improving its relations with other black African states. In December 1976, for example, President Nyerere of Tanzania visited Lagos for the first time in ten years. Nyerere had recognized Biafra, and even after the civil war had been a consistent critic of Nigeria for not giving adequate support to the liberation struggle. During his 1976 visit, however, Nyerere apparently went out of his way to demonstrate that he now considered

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<sup>1</sup>Nyerere in Lagos," Africa, Number 69 (December 1976), p. 31

<sup>2</sup>Ibid., p. 32

Nigeria a member of the revolutionary "club" and that Lagos was showing the concern and active involvement he had expected from previous governments.<sup>1</sup>

The more assertive role that Nigeria intends to play in Africa was further demonstrated during the fighting that erupted in Zaire's Shaba Province in the spring of 1977, when Nigeria was one of the few black African states to become involved.<sup>2</sup> At that time, Nigeria, which enjoyed substantial influence in Angola in light of its early support of the MPLA, made diplomatic representations in Luanda condemning the invasion and asking for its termination.<sup>3</sup> Nigeria has strongly upheld the concept of territorial integrity of African states and firmly rejects the right of any African province to secede (which is not surprising given its internal experience in Biafra). Although the nature of the Nigerian diplomatic mediation was not specified, U.S. spokesmen praised the Nigerian efforts as "useful and vital,"<sup>4</sup>

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<sup>1</sup>Ibid.

<sup>2</sup>In addition to Nigeria's diplomatic efforts, Senegal also airlifted several tons of medicine into Shaba. Primary support for Zaire came from Africa's Arab states, particularly Morocco, Egypt and the Sudan. See Godwin Matatu, "Shaba: Zaire's Armageddon," Africa, Number 69 (May 1977), pp. 22-27.

<sup>3</sup>The New York Times, March 23, 1977 and The Wall Street Journal, March 23, 1977.

<sup>4</sup>The Baltimore Sun, April 9, 1977.



The more militant African nationalist policies of the present Nigerian government could, in the longer run, lead it into greater involvement in southern African issues and, possibly, to a confrontation with South Africa. Nigeria has already warned major oil companies ignoring the oil embargo against South Africa that "it will either be South Africa or the rest of Africa."<sup>1</sup> The Nigerian leadership has indicated that it intends to work more forcefully for national liberation within Africa as part of its assumption of a regional role commensurate with its resources and potential. For the moment, the Nigerians have relied primarily on rhetoric and diplomacy. Greater involvement might be forthcoming, however, if conflict in southern Africa intensified.

c. Angola

For the present, the role of Angola in the South Atlantic is minimal, suffering as it is from the political and economic problems generated by independence and the civil war. With its oil and mineral resources, however, Angola is potentially one of black Africa's richest countries and, hence, a possible actor of some significance in South Atlantic regional developments.

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<sup>1</sup>"Oil for Apartheid," Africa, Number 65 (January 1977) p. 30.

In 1974 and 1975 oil production in Angola (including Cabinda) was well over 8 million tons, with production dropping to slightly under 6 million in 1976 as a result of suspended production at the height of the civil war.<sup>1</sup> Oil reserves in Cabinda have reportedly been estimated at over 300 million tons with reserves in northern Angola proper estimated at over ten times that.<sup>2</sup> Angola is already the fifth largest exporter of diamonds in the world, and its iron ore deposits near Cassinga are reputed to be among the highest quality in the world. Other mineral resources, including uranium, manganese and gold, have been discovered, but their exploitation is much less advanced. Angola's Benguela Railroad and its terminus at the port of Lobito have also served as important segments of southern Africa's transportation infrastructure, providing an export route for Zambian copper and Zaire's mineral production (until the closure of the railroad during the civil war).

If Angola is to exploit the economic potential it enjoys, a number of obstacles -- both political and economic -- will have to be overcome. The 1975 civil war left Angola's economy

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<sup>1</sup>Andrew Lumsden, "Record Crude Oil Output in 1976," The Petroleum Economist, Vol. XLIV, No. 1 (January 1977), p. 6. Table II.

<sup>2</sup>Strategic Survey 1975 (London: The International Institute for Strategic Studies, 1976), p. 27.

in shambles, and emphasis has thus far been placed on reconstruction. The long-term goal of the MPLA government is a socialist system, independent of external control. Consequently, the threat of its economic planning is directed at further expansion of the state sector of the economy the creation of more farming cooperatives, the development of light industry to support agriculture and acquisition of better profits from the country's mineral resources.<sup>1</sup> In this light, Gulf Oil faces the prospect of nationalization, but reports indicate that the government will take a gradualist path, so as not to disrupt the \$500 million in annual revenue (80 per cent of the country's 1976 export earnings and 60 per cent of government revenue) that the oil operations represent.<sup>2</sup>

While the MPLA leadership is committed to building socialism in Angola, that commitment has been leavened by pragmatism. Small owners, industrialists and traders are to be encouraged. Every indication has been given that the government will seek diverse sources of participation in development of Angola's unexploited resources. Western and other technology

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<sup>1</sup>"Pragmatism, Not Doctrinaire Ideology," Africa, No. 6 (December 1976), p. 36.

<sup>2</sup>It is expected that the Angolans will negotiate for a 55 per cent share in Gulf's Cabinda subsidiary for the duration of the new contract period. John Marcum, "Angola: Division or Unity?" in Southern Africa in Crisis, edited by Gwendolyn Carter and Patrick O'Meara (Bloomington: Indiana University Press, 1977), p. 159.

and capital will be welcomed. Denmark has already assisted the Angolans in their reconstruction efforts.<sup>1</sup>

The MPLA's goal of creating a new socialist society in Angola faces political and social impediments even more severe than those of economics. First there are internal divisions within the MPLA itself. One faction, known as the Revolta Activa, is composed primarily of mestiço intellectuals and is led by Gentil Viana and Joaquim Pinto de Andrade, who was named "honorary president" of the MPLA during his years as a political prisoner in Portugal. This group has reportedly been joined by the extreme leftist Angolan Communist Organization in opposition to Neto's leadership.<sup>2</sup>

A more serious internal MPLA dispute has been the challenge from the faction associated with former Minister of the Interior, Nito Alves, a former black guerrilla and critic of the white-mestiço dominance of the Neto administration. This challenge recently erupted when Alves and his supporters attempted a coup that led to the death of five prominent members of the MPLA government. The coup was quickly crushed,

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<sup>1</sup>"Pragmatism, Not Ideology," p. 36.

<sup>2</sup>Marcum, "Angola: Division or Unity?" p. 159.

reportedly with the help of Cuban forces,<sup>1</sup> but the underlying problems that stimulated it remain. A black man from Luanda's slums, Alves was the odd man out among the highly educated, primarily mestico MPLA leadership. His pro-Soviet leanings also were viewed with some concern by MPLA members more nationalistic than Communist.

Alves' popularity derived from his appeal to Angola's poor blacks, particularly those living in Luanda's shanty towns. A major portion of the slum-dwellers, whose expectations were sparked by independence and the rhetorical promises of rival liberation organizations, have become openly disillusioned and bitter.<sup>2</sup>

Current black resentment in Angola has racial overtones. That black suspicions of the MPLA increased after independence is not surprising given the fact that once the MPLA assumed control, the better educated people of mixed race received the best jobs in the administration, the army and the nationalized industries.<sup>3</sup>

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<sup>1</sup>Washington Post, May 28, 1977, Mr. Neto has denied any Cuban involvement, although this was probably necessary irrespective of its truth, in the face of growing resentment regarding Cuban control of Angola's armed forces. The Economist, June 4, 1977, p. 70.

<sup>2</sup>The Manchester Guardian (Weekly), June 5, 1977.

<sup>3</sup>The Economist, June 4, 1977

Despite their defeat by the combined MPLA-Cuban forces, UNITA, the FNLA and FLEC (The Cabinda Liberation Front) continue to pose a residual military threat to the present government. UNITA has been particularly active.<sup>1</sup> Its forces have been estimated at between 5,000 to 10,000 troops, although 10,000 is probably high.<sup>2</sup>

In Cabinda, the enclave north of Angola which is the source of the country's oil, the situation is causing the government serious concern. Since gaining control of the enclave the MPLA and Cuban forces there have been continually harassed by FLEC guerrillas, and the dense vegetation in the region poses a severe handicap to counterinsurgent operations. The FLEC forces, as well as those of the FNLA, are also reported to be assisted by Zaire.

The gravity of the internal problems confronting the Neto government should not be underestimated. The MPLA leadership remains dependent on Cuban support, and the challengers to the regime constitute a continued source of instability that diverts the government's priorities from necessary economic and political development. It is difficult to determine at present whether these forces pose only a short-term problem for the Angolan government or represent a factor that will eventually alter substantially the status quo in Angola.

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<sup>1</sup> See Augustine Oyowe, "Renewed Aggression from the South," Africa, No. 68 (April 1977), p. 44.

<sup>2</sup> "Pragmatism, Not Doctrinaire Ideology," p. 37.

As long as these forces challenge the present government, Angola's relations with some of its neighbors, especially Zaire, will continue to be strained. The constant support of the Mobuto government for challengers to the MPLA is said to be one reason that President Neto did not prevent, and probably supported and encouraged, the invasion of Zaire's Shaba province by Katangan secessionists living in eastern Angola. Zaire's hostility to the MPLA regime is further manifested in Kinshasa's refusal to transport Zairois and Zambian minerals over the Benguela Railroad, thus causing a loss to Angola of \$30 million in annual revenue.<sup>1</sup>

It is only well in the future, therefore, that Angola will be able to play a significant South Atlantic role. Before it can do so, President Neto and his MPLA colleagues will have to consolidate their leadership and establish internal political stability. If they are unsuccessful, Angola's potential will remain unrealized for some time to come. Nevertheless, given the economic resources Angola has available, it could be an actor to be reckoned with in southern Africa and the South Atlantic by the end of this study's time frame.

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<sup>1</sup>Marcum, "Angola: Division or Unity?" p. 161.



### 3. Non-Superpower External Actors

#### a. The People's Republic of China

The primary motive for Chinese activities in southern Africa and elsewhere in the South Atlantic has been Peking's desire to increase its influence in the Third World at the expense of Moscow. The states of black Africa, headed by Tanzania, have been major beneficiaries of Chinese aid, both military and economic.<sup>1</sup>

The Chinese have fared better than other external powers in their relations with black Africa largely because they have avoided attempts to dominate their clients and have responded to African needs as the Africans defined them. After suffering some early setbacks, China was able to achieve two particular successes in the 1960s and early 1970s. First, the PRC was able to create "a network of relationships across the tropical waist of Africa from the Indian Ocean to the Atlantic" through the establishment of friendly relations with Tanzania and Zaire.<sup>2</sup> Chinese aid in the construction of the TANZAM Railroad was particularly instrumental in securing Tanzania's

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<sup>1</sup>Tanzania, for example, has received \$60 million worth of arms and equipment from Peking in the last ten years. Radio Liberty, "Sino-Soviet Competition in Africa: The Crucial Role of Military Assistance" (RL 153/76, March 23, 1976).

<sup>2</sup>Colin Legum, "The Soviet Union, China and the West in Southern Africa," p. 748.

friendship. The project is the largest development effort in sub-Saharan Africa to date.<sup>1</sup>

Peking's second success was winning the confidence of nationalist leaders of southern Africa's liberation movements. According to Colin Legum, "all the major liberation movements appear to have found it easier to work with the Chinese than with the Russians," with the exception of South Africa's African National Congress.<sup>2</sup> Most notable among these were FRELIMO in Mozambique, which subsequently assumed power, the Zimbabwe African National Union (ZANU), whose Robert Mugabe maintains his pro-Chinese stance, and SWAPO in Namibia. In addition, from 1973 onward the FNLA in Angola was the recipient of material assistance from China as well as the services of a 120-man training mission in Zaire headed by a Chinese major general.<sup>3</sup> The Chinese decided to terminate aid to the FNLA in July 1975, however, after the OAU called for neutrality toward Angola's rival liberation groups.<sup>4</sup>

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<sup>1</sup> See Martin Bailey, "Iron Links," Africa, No. 61 (September 1976).

<sup>2</sup> Ibid.

<sup>3</sup> John Marcum, "Lessons of Angola," p. 410.

<sup>4</sup> Legum, "Powers in Southern Africa," p. 751. It has been argued that the Chinese action was taken not only because Peking believed that U.S.-South African support for FNLA-UNITA would ensure the defeat of the MPLA-Soviet-Cuban alliance but also because she wanted to preserve her revolutionary credentials. See Ebinger, "The Angolan Civil War," p. 692.

It is not clear what role China will play in southern Africa in the future. The Soviet success and relative Chinese impotence in Angola represented a major shift in their balance of influence in the region. One analyst has argued that "What happened in Angola suggests that in the Third World the Sino-Soviet rivalry with each other had become more important to them than either's rivalry with the West."<sup>1</sup> This is reflected in Chinese propaganda regarding Soviet activity in Africa. In a particularly virulent speech, for example, Vice Premier Li Hsien-nien recently portrayed the Soviet Union as the world's new imperialist:

(The Soviet Union) organized mercenaries to intervene and invade Zaire and intensified its rivalry with the other superpower (the United States) in southern Africa and the Red Sea area. This series of frenzied acts of aggression and expansion shows that social imperialism now has become a great menace to the African and Arab peoples.<sup>2</sup>

It seems clear that China is intent on preventing a repetition of its Angolan failure elsewhere in southern Africa.

The degree of success Peking will achieve, however, can be questioned. The nature of Chinese military aid to Africa, for example, makes it difficult for them to compete with a massive Soviet aid program. For the most part China has special-

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<sup>1</sup>Ibid., pp. 751-752.

<sup>2</sup>Quoted in the Christian Science Monitor, June 8, 1977.

ized in a form of assistance requiring relatively little investment. In addition to on-site training, the Chinese have provided black African states mainly with small arms, ammunition and light vehicles suited to guerrilla-type operations.<sup>1</sup>

For heavier weapons, African countries and liberation movements have had to look for more affluent suppliers, thus opening the door to the Soviet Union.<sup>2</sup> As the military requirements of the sub-Saharan African states become more sophisticated, there is little help that the Chinese can provide, given the limitations of their defense industry. The greater technological sophistication and sheer magnitude of support Moscow can deliver to southern Africa, gives the Soviets a decided advantage. China is just not in a position to compete with the Soviet Union in the arms arena:

China's inability to contribute substantively to the military strength of Third World nations could thus, in the long-run, effectively reduce Chinese influence with these nations -- even to the extent of limiting otherwise successful programs of economic assistance.<sup>3</sup>

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<sup>1</sup>Radio Liberty, "Sino-Soviet Competition."

<sup>2</sup>Recent reports indicate, for example, that Mozambique, which has consistently enjoyed good relations with Peking is now receiving Soviet SA-7 missiles, 122-millimeter howitzers, AK-47 assault rifles as well as T-34 tanks. New York Times, April 24, 1977.

<sup>3</sup>Radio Liberty, "Sino-Soviet Competition."

b. Cuba

Commenting on Fidel Castro's visit to Africa in the spring of 1977 Tanzania's official Daily News said: "We see Castro as a true Third World revolutionary."<sup>1</sup> It is obvious that Castro himself shares this opinion and it has prodded him to push Cuba into a more active role in areas surrounding the South Atlantic. Cuban interest in sparking revolution throughout Latin America is well known and documented. What is not often considered is the fact that Cuban interest in revolution in Africa dates back to 1959 -- the first year of the Castro regime -- when Havana sent medical teams, men and reportedly even arms to Algeria, the Congo and Guinea.<sup>2</sup> Although Cuba has apparently ceased, at least for the time being, any concerted efforts to foment revolution in Latin America, the collapse of the Portuguese colonial holdings in Africa opened opportunities for renewed and magnified Cuban activity in Africa. The role that Cuban forces played in the victory of the MPLA in Angola has been widely discussed.<sup>3</sup> Today, Cuban forces represent the largest military contingent

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<sup>1</sup> Quoted in "An African Tour-de-force," p. 18.

<sup>2</sup> Georgie Anne Carter, "Cubans in Africa," The New Republic, April 2, 1977. It should be noted that when Che Guevara left Cuba in 1965, he went first to Africa, specifically to Katanga. For a brief discussion of this rather bizarre action, see Ibid.

<sup>3</sup> See, for example, Legum, "Powers in Southern Africa," and Ebinger, "The Angolan Civil War: External Intervention." It is generally accepted that the Cubans were soundly beaten by South African troops in their encounters, before the South Africans and American money were withdrawn. In eventually winning, the Cubans erased this embarrassing fact and made major political gains.

of a non-African country on the continent.

Cuban forces are stationed throughout Africa. Outside Angola the reportedly largest contingent of perhaps 1500 is found in Somalia. In addition, as many as 1200 Cuban military personnel are reported to be training Rhodesian guerrillas in Mozambique and similar training is being provided by Cuban civilians in Tanzania. Small Cuban contingents are also reported in the Congo, Guinea, Sierra Leone, Guinea-Bissau, and Equitorial Guinea.<sup>1</sup> About fifty Cuban military technicians have recently arrived in Ethiopia.<sup>2</sup> It should also be noted that Havana has suspended the withdrawal of its troops from Angola, on the pretext that French and Moroccan intervention in the Zaire crisis could be view as a prelude to an invasion of Angola.<sup>3</sup> Cuban military forces in Africa are supplemented by civilians, in some cases large numbers of them. Despite withdrawals of some forces from Angola, for example, there may be more Cuban nationals in that country today (July 1977) than at the height of the conflict there.<sup>4</sup>

The Cuban action in Angola could not have been undertaken

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<sup>1</sup>The Christian Science Monitor, February 23, 1977.

<sup>2</sup>Washington Post, May 26, 1977.

<sup>3</sup>Ibid., June 5, 1977.

<sup>4</sup>Christian Science Monitor, April 12, 1977.



without Soviet logistic and material support.<sup>1</sup> Nevertheless, it may be premature to project a complete identity of Soviet and Cuban interests and policies in southern Africa. The ever more prominent role of Cuba in Africa gives Castro the international prestige that has been denied to him in Latin America and serves to reinforce the self-perception of the Cuban leadership as the vanguard of radical Third World forces. Moreover, in Angola at least the Cubans cannot easily extricate themselves without risking a collapse of their Angolan clients and thus a blow to their prestige.

On present evidence, the conclusion must be drawn that the Cuban factor will remain an element in the evolution of the environment in southern Africa, particularly if that evolution takes a violent route. There were charges of Cuban involvement in the invasion of Zaire by Katangan secessionists in

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<sup>1</sup>It should be noted that the East German presence in Africa has also been increasing. Estimates indicate that the number of East German military advisors and technicians in South Africa has risen from about 100 in 1973 to between 300 and 400 today, making the German Democratic Republic the third most influential Communist power on the continent. The GDR collaborated with the Soviet Union and Cuba during the Angolan crisis and sizable numbers of East Germans are said to be training forces, including pilots, in Angola currently. Smaller numbers of East Germans are reported in the Congo, Somalia, Ethiopia, and Mozambique. During the invasion of Zaire's Shaba province by Katangan secessionists President Mobutu broke relations with the GDR, alleging that it was supporting the rebels and there reportedly is some evidence to suggest that East Germany did supply the Katangans with arms. If this was the case, the development is significant since it represents a new role for the GDR as an arms supplier (Czechoslovakia has generally dominated in the supply of small arms in such areas). See the Washington Post, August 21, 1977.



in 1977; even if Cubans did not participate directly in the fighting, the invaders benefitted from Havana's material assistance and training. The training of Rhodesian and Namibian guerrillas in Mozambique and Angola by Cubans indicate that Castro intends to remain deeply involved in any southern African conflict scenario. Farther afield, Havana's activities in the Horn of Africa could influence developments in that area, with indirect but important implications for the South Atlantic region.

c. European states

A final factor to be considered, if only briefly, in the consideration of the South Atlantic's environment is the role of European states in the region. The nuclear deal between Brazil and the Federal Republic of Germany, French arms transfers to Africa and South America including direct assistance to the Mobutu regime in Zaire, and British diplomatic initiatives in Rhodesia indicate that although European influence in the entire region has declined drastically, it remains a not insignificant factor in the area's evolution.

European interests in the South Atlantic region are similar to those of the United States and are, in many cases, even more pronounced. For example, more than 70 per cent of Western Europe's strategic raw materials, primarily oil, transit

the Cape of Good Hope. European states are the leading investors in many South Atlantic states as well. The degree to which European investment, trade, and economic interests would be affected by dramatic changes in the South Atlantic, however, is difficult to determine precisely given the paucity of reliable data.

As the United States, Western Europe has a major strategic stake in maintaining the security of sea lanes through the South Atlantic. It has even been suggested in some European quarters that, although the formal boundary of NATO operations is well north of the South Atlantic, an informal arrangement between some NATO members for monitoring and responding to events in the area should be established.

Western Europe also has a strategic interest in retaining access to raw materials in the South Atlantic, particularly minerals from southern Africa. An idea of the dependence of Western Europe on these resources can be gained from the following table which illustrates the South African-West European resource relationship.

West European interests in the South Atlantic region, particularly in its African littoral, are long-standing concerns. The 1960s, however, witnessed a growing recognition especially in London and Paris that the European's "African presence was inescapably limited by the nature of the colonial legacy and by

PERCENTAGE SUPPLIED BY SOUTH AFRICA OF TOTAL IMPORTS  
IN 1974 OF PARTICULAR MINERAL COMMODITY INTO  
FIVE MAIN TRADING PARTNERS OF SOUTH AFRICA

<i>Commodity</i>	<i>United Kingdom %</i>	<i>West Germany %</i>	<i>France %</i>	<i>U.S.A. %</i>	<i>Japan %</i>
Platinum Group Metals	37	—	22	19	38
Antimony	95	50	14	43	15
Copper	4	10	1	6	21
Iron Ore	—	—	—	—	2
Nickel	—	11	14	—	21
Vanadium	60	50	31	57	62
Chrome Ore	30	29	17	30	37
Ferrochrome	15	43	20	35	87
Manganese	43	52	40	8	43
Ferromanganese	27	14	—	36	—
Asbestos	—	—	—	3	35
Fluorspar	—	—	—	—	23
Vermiculite	100	14	19	100	100

Source: van Rensburg and Pretorius, p. 112.

a growing divergence of interest between Africa and Europe."<sup>1</sup> Consequently, European states proceeded on a long-term policy of disengagement from Africa, adjusting or terminating military roles and relationships and accommodating their interests to constraints posed by a changing African political contest. Chester Crocker points out that residual European influence was projected through the local economic apparatus.<sup>2</sup>

France has been the most active European state in Africa. It has maintained relatively close contact with its former African colonies and there remains a strong perception in Paris that what transpires in Africa will have a clear impact upon the security and economic well-being of Western Europe.

Events in Angola jolted the European states, who were particularly disillusioned by U.S. inaction during that crisis. France especially appears to have decided to move (in tandem with some Arab states) toward a renewed activism in Africa, reversing an earlier trend in French policy. According to reports, for example President Giscard d'Estaing and his advisors on Africa began to prepare contingency plans for long-range operations in Africa shortly after the MPLA victory in Angola.<sup>3</sup>

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<sup>1</sup>Chester Crocker, "The African Dimension of Indian Ocean Policy," ORBIS, Volume 20, Number 3 (Fall 1976), p. 637.

<sup>2</sup>Ibid., p. 644.

<sup>3</sup>Washington Post, April 21, 1977.

The French airlift of Moroccan troops and other forms of French assistance provided to President Mobutu during the invasion of Zaire in 1977 was a clear signal of French intentions in the area. It also demonstrated the relationship between France's policy and French interests. French companies have important mining interests in Zaire. Protracted conflict in Zaire could have had a destabilizing effect on its neighbors -- Gabon, the Congo, and the Central African Empire -- which are former French possessions and in which France continues to have a substantial stake. Politically, Zaire presented Paris with an opportunity to play a dramatic interational role and demonstrated that independence in foreign policy that has always been an important French concern.

In a televised defense of the French action in Zaire, President Giscard strongly emphasized Europe's traditional geographic and economic ties to Africa.<sup>1</sup> Even after most of France's former colonies achieved their independence, France went to great lengths to maintain those ties and to retain French influence.<sup>2</sup> It has only been in the last two years, for example, that the strength of French forces in Africa has been substantially reduced from levels committed in the 1960s to the newly independent states.<sup>3</sup>

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<sup>1</sup>Christian Science Monitor, April 19, 1977.

<sup>2</sup>In some cases, the French Secret Service has been actively involved, See Howard Schissel, "France's Secret Long Arm in Africa," Africa, No. 66 (February 1977), pp. 22-24.

<sup>3</sup>"French Forces in Orderly Retreat," Africa, No. 61 (September 1976), p. 16.

While it has tried to consolidate its position in Franco-phone black Africa, France has also developed close ties with the Republic of South Africa. The recent French decision to sell two nuclear power plants to South Africa is the latest manifestation of this growing connection. Trade between the two countries grew 280 per cent between 1968 and 1975, totalling \$700 million at the end of that period.<sup>1</sup> In addition France has been a major arms supplier to the Republic, supplying it with Mirage jets and AMX tanks as well as entering into agreements for South African production of French weapons under license.<sup>2</sup>

It is not clear whether growing links between Paris and Pretoria will jeopardize the French position elsewhere in Africa. The French action in Zaire certainly demonstrated French willingness to support moderate black regimes and could offset the negative perceptions that might be generated by the South Africa connection. The French position in Francophone Africa is well entrenched.<sup>3</sup> It seems likely that France will continue to try to balance an active policy in black Africa with the benefits it receives from its relations with the Republic of South Africa.

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<sup>1</sup> Howard Schissel, "The Paris-Pretoria Conspiracy," Africa, No. 65 (January 1977), p. 41.

<sup>2</sup> Ibid.

<sup>3</sup> None of the Francophone black African states, for example, voiced opposition to the proposed French-South African nuclear deal. ibid.

